

Annual Securities Report

(The 155th Business Term)

From April 1, 2023 to March 31, 2024

[Cover]

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This is an English translation of the Annual Securities 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 with some contents including cover page, table of contents and URL of the reference information.

Certain information in “Part I. Information on the Company - II. Business Overview - 3. Risk Factors - Risks Related to Our American Depositary Shares” is only included in this English translation of the Annual Securities Report for ADSs holders and not included in the original report.

Certain information in “Part I. Information on the Company - V. Financial Information” in this document incorporates financial statements prepared in conformity with the International Financial Report Standards (“IFRS”) as issued by the International Accounting Standards Board and independent auditor’s report instead of the English translation of the Annual Securities Report.

The translation of the Internal Control Report, the Independent Auditors’ Report and the Confirmation Letter for the original Annual Securities Report are included at the end of this document.

This English translation of the Annual Securities Report reflected the amendment that was reported in the Amendment Report of the Annual Securities Report filed with the Director of the Kanto Local Finance Bureau via EDINET on July 31, 2025.

In this document, the terms “we,” “us,” “our” and “Hitachi” refer to Hitachi, Ltd. and consolidated subsidiaries or, as the context may require, Hitachi, Ltd. on a non-consolidated basis and the term “the Company” refers to Hitachi, Ltd. on a non-consolidated basis.

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.

References in this document to the “Companies Act” are to the Companies Act of Japan and other laws and regulations amending and/or supplementing the Companies Act of Japan.

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Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

(1) Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

Fiscal year	151st business term	152nd business term	153rd business term	154th business term	155th business term
Year end	March 2020	March 2021	March 2022	March 2023	March 2024
Revenues	8,767,263	8,729,196	10,264,602	10,881,150	9,728,716
Income before income taxes	180,268	844,443	839,333	819,971	825,801
Net income attributable to Hitachi, Ltd. stockholders	87,596	501,613	583,470	649,124	589,896
Comprehensive income attributable to Hitachi, Ltd. stockholders	(8,465)	838,237	958,008	905,819	1,013,811
Total Hitachi, Ltd. stockholders' equity	3,159,986	3,525,502	4,341,836	4,942,854	5,703,705
Total equity	4,266,739	4,458,232	5,355,277	5,335,567	5,859,603
Total assets	9,930,081	11,852,853	13,887,502	12,501,414	12,221,284
Total Hitachi, Ltd. stockholders' equity per share (yen)	3,270.43	3,646.46	4,488.91	5,271.97	6,155.38
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	90.71	519.29	603.75	684.55	634.57
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	90.60	518.51	602.96	683.89	633.75
Total Hitachi, Ltd. stockholders' equity ratio (%)	31.8	29.7	31.3	39.5	46.7
Return on equity (%)	2.7	15.0	14.8	14.0	11.1
Price earnings ratio (times)	34.6	9.6	10.2	10.6	21.9
Net cash provided by (used in) operating activities	560,920	793,128	729,943	827,045	956,612
Net cash provided by (used in) investing activities	(525,826)	(458,840)	(1,048,866)	151,063	(131,543)
Net cash provided by (used in) financing activities	2,837	(184,838)	202,739	(1,142,966)	(1,024,907)
Cash and cash equivalents at end of year	812,331	1,015,886	968,827	833,283	705,367
Number of employees	301,056	350,864	368,247	322,525	268,655

(Notes) 1. Our consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards ("IFRS").

2. "Income from continuing operations, before income taxes" is shown in the "Income before income taxes" columns for the 152nd and prior business terms.

3. The average number of part-time employees is not stated since they represented fewer than 10% of the number of employees.

(2) Financial data, etc. of the Company

(Millions of yen, unless otherwise stated)

Fiscal year	151st business term	152nd business term	153rd business term	154th business term	155th business term
Year end	March 2020	March 2021	March 2022	March 2023	March 2024
Revenues	1,793,250	1,678,223	1,623,424	1,631,338	1,756,937
Ordinary income	355,490	305,461	365,049	354,719	401,001
Net income	119,409	705,511	516,115	987,946	581,570
Common stock	459,862	460,790	461,731	462,817	463,417
Number of issued shares (thousands of shares)	967,280	967,885	968,234	938,083	927,167
Total net assets	1,579,058	2,243,742	2,643,733	3,336,637	3,614,195
Total assets	4,004,408	4,982,609	5,815,620	5,940,498	6,095,488
Net assets per share (yen)	1,631.97	2,318.50	2,731.77	3,557.49	3,899.16
Dividends per share (yen) [Of the above, interim dividends per share (yen)]	95 [45]	105 [50]	125 [60]	145 [70]	180 [80]
Net income per share, basic (yen)	123.59	729.77	533.63	1,041.20	625.36
Net income per share, diluted (yen)	123.49	729.18	533.30	1,040.62	625.00
Stockholders' equity ratio (%)	39.4	45.0	45.4	56.1	59.3
Return on equity (%)	7.6	36.9	21.1	33.1	16.7
Price earnings ratio (times)	25.4	6.9	11.6	7.0	22.2
Dividend payout ratio (%)	76.9	14.4	23.4	13.9	28.8
Number of employees	31,442	29,850	29,485	28,672	28,111
Total shareholder return (%) [Comparative indicator : Dividend-included TOPIX] (%)	90.3 [90.5]	145.2 [128.6]	181.0 [131.2]	215.4 [138.8]	406.0 [196.2]
Highest share price (yen)	4,693.0	5,515.0	7,460.0	7,463.0	14,140.0
Lowest share price (yen)	2,524.0	2,855.0	4,750.0	5,665.0	6,992.0

- (Notes) 1. The average number of part-time employees is not stated since they represented fewer than 10% of the number of employees.
2. The highest and lowest share prices are market prices on the Prime Market of the Tokyo Stock Exchange since April 4, 2022 and the highest and lowest share prices before that are market prices on the first section of the Tokyo Stock Exchange.
3. Effective from the 153rd business term, the Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020). The figures for key financial data from the 153rd business term are restated as the standard is applied.

2. History

1910	Founded as a repair shop at Hitachi copper mine of Kuhara Mining Company	
Feb. 1920	Incorporated as Hitachi, Ltd. with the Hitachi and Kameido Works	
Feb. 1921	Acquired the Kasado shipyard from Nippon Kisen Co., Ltd. and established Kasado Works	
May 1935	Equity participation in Kyousei Reiki Kogyo K.K. (later changed its name to Hitachi Plant Engineering & Construction Co., Ltd.)	
May 1937	Merged Kokusan Industries, Ltd. and established seven factories, including Totsuka Works	 1910 A five-horsepower induction motor, one of the products we offered during our founding period (motor)
Apr. 1939	Established Taga Works, spun off the Hitachi Research Laboratory from Hitachi Works	
Sep. 1940	Established Mito Works	
Apr. 1942	Established the Central Research Laboratory	
Sep. 1943	Merged Riken Vacuum Industry and established Mobara Works	
Mar. 1944	Spun off Shimizu Works from Kameari Works	
Dec.	Spun off Tochigi Works from Taga Works	
Apr. 1947	Established Hinode Shokai Co., Ltd. (currently Hitachi High-Tech Corporation)	
May 1949	Established Higashi-Nippon Senikikai K.K. (later changed its name to Hitachi Medical Corporation)	 1956 Escalators that became vertical metropolitan pathways
Feb. 1950	Established Nitto Transport K.K. (later Hitachi Transport System, Ltd.)	
May 1955	Established Hitachi Sales Corporation	
Oct. 1956	Spun off Hitachi Metals Industries, Ltd. (later Hitachi Metals, Ltd.) and Hitachi Cable, Ltd.	
Nov.	Established Hitachi Kiden Kogyo, Ltd.	
Jun. 1957	Spun off Kokubu Works from Hitachi Works	
Feb. 1959	Established Yokohama Works	
Oct.	Established Hitachi New York, Ltd. (currently Hitachi America, Ltd.)	
Jun. 1960	Equity participation in Nippon Business Consultant Co., Ltd. (later changed its name to Hitachi Information Systems, Ltd.)	
Aug.	Established Hitachi Geppan Corp. (later changed its name to Hitachi Credit Corporation)	
Feb. 1961	Spun off Naka Works from Taga Works; Equity participation in Maxell Electric Industrial Co., Ltd.	
Aug.	Established Katsuta Works	
Aug. 1962	Established Kanagawa Works	
Feb. 1963	Spun off Narashino Works from Kameido Works	
Apr.	Spun off Hitachi Chemical Company, Ltd.	
Feb. 1966	Established the Mechanical Engineering Research Laboratory	 1964 The world's first Shinkansen (bullet train) cars to reach 200 km/h
Feb. 1968	Spun off Sawa Works from Taga Works, spun off Tokai Works from Yokohama Works, and spun off Odawara Works from Kanagawa Works	

Feb. 1969	Established Software Works	
Apr.	Established Ome Works	
Aug.	Established Omika Works	
Dec.	Spun off Hitachi Construction Machinery Co., Ltd.	
May 1970	Established Takasaki Works	
Sep.	Established Hitachi Software Engineering Co., Ltd.	
Apr. 1971	Acquired Asahi Works from Hitachi Denshi, Ltd.	
Jun.	Established the Production Engineering Research Laboratory	
Feb. 1973	Established the Systems Development Laboratory	
Jun. 1974	Established Tsuchiura Works	
Nov.	Relocated Kameido Works and renamed it Nakajo Works	
Jun. 1982	Established Hitachi Europe Ltd.	
Apr. 1985	Established Advanced Research Laboratory	
Feb. 1989	Established Hitachi Asia Pte. Ltd. (currently Hitachi Asia Ltd.)	
Feb. 1991	Integrated Sawa Works into the Automotive Products Division	
Aug.	Integrated Katsuta Works into the Materials Process Technology Division; integrated Totsuka Works into the Information & Telecommunication Division; integrated Naka Works into the Instruments Division	
Feb. 1992	Integrated Yokohama Works and Tokai Works into the AV Products Division	
Aug.	Changed the operation unit of home appliances, computers and electronic devices businesses from a factory to a business division	
Feb. 1993	Integrated the Semiconductor Technology Development Center, Musashi Works and Takasaki Works into the Semiconductor Division	
Aug.	Integrated Shimizu Works into the Air Conditioning Division, integrated Nakajo Works and Narashino Works into the Industrial Equipment Division	
Aug. 1994	Integrated Consumer Products Group and Image & Information Media Division and renamed them Consumer Products & Information Media Systems Group.	
Oct.	Established Hitachi (China), Ltd.	
Feb. 1995	Reorganized business groups as the Power & Industrial Systems Group, Consumer Products & Information Media Systems Group, Information Systems Group and Electronics Components Group; integrated a part of the R&D division and sales division into the business groups	
Apr.	Merged Hitachi Sales Corporation	
Apr. 1999	Reorganized business groups into de facto companies to independently operate each business group	
Oct. 2000	Merged Hitachi Credit Corporation with Hitachi Leasing Corp. and changed its name to Hitachi Capital Corporation	
Oct. 2001	Split the Instruments Group and Semiconductor Manufacturing Equipment Group via a company split and reorganized them as Hitachi High -Technologies Corporation (currently Hitachi High-Tech Corporation); Split the Industrial Machinery Systems Division via a company split and reorganized it as Hitachi Industries Co., Ltd.	



1972
COMTRAC, Computer Aided Traffic Control System
for Shinkansen, operations launched



1999
Launch of super technical server
(world's fastest at the time)



2001
Proton therapy system
(University of Tsukuba Hospital)

Apr. 2002	Split the Home Appliance Group via a company split and reorganized it as Hitachi Home & Life Solutions, Inc.; Split the Industrial Equipment Group via a company split and reorganized it as Hitachi Industrial Equipment Systems Co., Ltd.
Oct.	Split the Display Group via a company split and established Hitachi Displays, Ltd.; Split the Telecommunication Equipment Division via a company split and reorganized it as Hitachi Communication Technologies, Ltd.; Turned Unisia Jecs Corporation (its name later changed to Hitachi Unisia Automotive, Ltd.) into a wholly owned subsidiary via a share exchange
Jan. 2003	Acquired the HDDs business from IBM Corp., and commenced operations as Hitachi Global Storage Technologies Netherlands B.V.
Apr.	Split the semiconductor business, centering on system LSIs, via a company split and established Renesas Technology Corp. (It merged with NEC Electronics Corporation and changed its name to Renesas Electronics Corporation in April 2010, and ceased to be an affiliate of the Company due to a decrease in the Company's ownership percentage of voting rights in September 2013.)
Jun.	Adopted committee system as the Company's corporate governance structure
Oct. 2004	Merged TOKICO, Ltd. and Hitachi Unisia Automotive, Ltd.; Split the Mechatronics System Division, centering on ATMs, via a company split and established Hitachi-Omron Terminal Solutions, Corp. (later changing its name to Hitachi Channel Solutions, Corp.)
Apr. 2006	Split the Social & industrial infrastructure business via a company split and integrated it with Hitachi Plant Engineering & Construction Co., Ltd., Hitachi Kiden Kogyo, Ltd. and Hitachi Industries Co., Ltd. and reorganized them as Hitachi Plant Technologies, Ltd.; Merged Hitachi Home & Life Solutions, Inc. with Hitachi Air Conditioning Systems Co., Ltd. and changed its name to Hitachi Appliances, Inc.
Dec.	Turned Clarion Co., Ltd. into a consolidated subsidiary via a tender offer
Jul. 2007	Split the nuclear power systems business via a company split and reorganized it as Hitachi-GE Nuclear Energy, Ltd.
Mar. 2009	Turned Hitachi Koki Co., Ltd. into a consolidated subsidiary via a tender offer; Turned Hitachi Kokusai Electric Inc. into a consolidated subsidiary via a tender offer
Jul.	Merged Hitachi Communication Technologies, Ltd.; Split the Automotive Systems Group via a company split and established Hitachi Automotive Systems, Ltd.; Split the Consumer Business Group via a company split and established Hitachi Consumer Electronics Co., Ltd.
Oct.	Reorganized business groups into in-house companies with independent accounting to promote quick business operation
Feb. 2010	Turned Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd. and Hitachi Systems & Services, Ltd. into wholly owned subsidiaries
Apr.	Turned Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. into wholly owned subsidiaries via share exchanges (turned Hitachi Maxell, Ltd. into an equity-method associate of the Company via the sale of its shares in March 2014, and it ceased to be an affiliate of the Company in March 2017 following the sale of its shares)
Oct.	Merged Hitachi Software Engineering Co., Ltd. with Hitachi Systems & Services, Ltd. and changed its name to Hitachi Solutions, Ltd.
Oct. 2011	Merged Hitachi Electronics Services Co., Ltd. with Hitachi Information Systems, Ltd. and changed its name to Hitachi Systems, Ltd.
Mar. 2012	Transferred the HDDs business to Western Digital Corporation via the sale of shares of Viviti Technologies Ltd., a holding company for Hitachi Global Storage Technologies Inc., etc. Transferred small and medium-sized displays business via the sale of shares of Hitachi Displays, Ltd.
Apr. 2013	Merged Hitachi Plant Technologies, Ltd.
Jul.	Merged Hitachi Metals, Ltd. with Hitachi Cable, Ltd.

Feb. 2014	Split the thermal power generating systems business via a company split and transferred it to Mitsubishi Hitachi Power Systems, Ltd. (It ceased to be an affiliate of the Company in September 2020 following the sale of its shares.)
Mar.	Turned Hitachi Medical Corporation into a wholly owned subsidiary via a share exchange (It changed its name to Hitachi Healthcare Manufacturing, Ltd. following the reorganization of Hitachi's healthcare business in April 2016.)
Apr. 2015	Reorganized Central Research Laboratory, Hitachi Research Laboratory, Yokohama Research Laboratory, Design Division and overseas R&D facilities into Global Center for Social Innovation, Center for Technology Innovation and Center for Exploratory Research to establish global R&D structure from the perspective of customers.
Oct.	Hitachi Appliances, Inc. transferred its air-conditioning systems business to a joint venture established with Johnson Controls Inc.
Apr. 2016	Reorganized in-house companies into business units as a market-specific business structure
May	Turned Hitachi Transport System, Ltd. into an equity-method associate of the Company via the sale of a part of its shares (It ceased to be an affiliate of the Company in March 2023 following the sale of its shares)
Oct.	Turned Hitachi Capital Corporation into an equity-method associate of the Company via the sale of a part of its shares (It ceased to be an affiliate of the Company as a result of the merger with Mitsubishi UFJ Lease & Finance Company Limited. in April 2021.)
Mar. 2017	Transferred the power tools business via the sale of shares of Hitachi Koki, Co., Ltd.
Jun. 2018	Sold the semiconductor manufacturing equipment business of Hitachi Kokusai Electric Inc. and turned it into an equity-method associate of the Company
Mar. 2019	Transferred the car information systems business via the sale of shares of Clarion, Co., Ltd.
Apr.	Merged Hitachi Appliances, Inc. with Hitachi Consumer Marketing, Inc. and changed its name to Hitachi Global Life Solutions, Inc.
Apr. 2020	Transferred the business of Hitachi Chemical Company, Ltd. via a sale of its shares
May	Turned Hitachi High-Tech Corporation into a wholly owned subsidiary
Jul.	Acquired the power grids business from ABB Ltd and commenced operations as Hitachi ABB Power Grids Ltd. (later changed its name to Hitachi Energy Ltd)
Jan. 2021	Merged Hitachi Automotive Systems, Ltd. with Keihin Corporation, Showa Corporation and Nissin Kogyo Co., Ltd. and changed its name to Hitachi Astemo, Ltd.
Mar.	Split the diagnostic imaging-related business via a company split and sold it to FUJIFILM Healthcare Corporation via the sale of its shares
July	Hitachi Global Digital Holdings LLC (later changed its name to Hitachi Digital LLC) turned GlobalLogic Worldwide Holdings, Inc., which is the parent of GlobalLogic Inc., into a wholly owned subsidiary
Aug. 2022	Turned Hitachi Construction Machinery Co., Ltd. into an equity-method associate of the Company via the sale of a part of its shares
Jan. 2023	Transferred the business of Hitachi Metals, Ltd. (currently Proterial, Ltd.) via the sale of its shares
Oct.	Turned Hitachi Astemo, Ltd. into an equity-method associate of the Company via the sale of a part of its shares



2017
Class 800 train for the Intercity Express Programme (IEP)



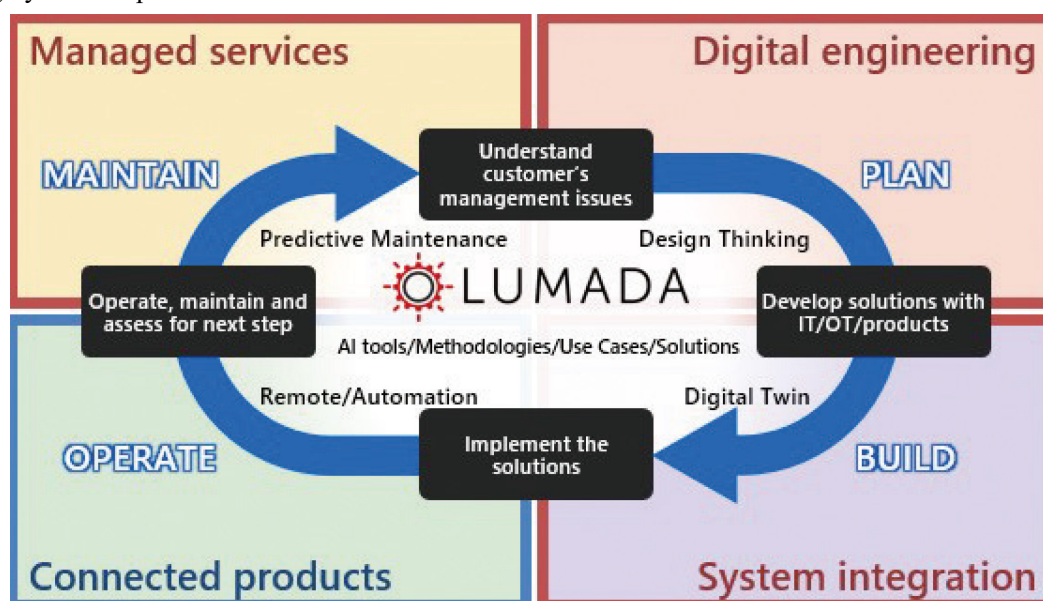
2021
Establishment of Lumada Innovation Hub Tokyo as the flagship site for co-creation

3. Description of Business

As of March 31, 2024, the Hitachi Group, which comprises the Company and 942 affiliates (573 consolidated subsidiaries and 369 equity-method associates and joint ventures), positions three sectors: Digital Systems & Services, Green Energy & Mobility, and Connective Industries, as growth areas and allocates related business units into each sector. Ranging over the five segments from the three sectors above to additional two segments as Automotive System and Others, the Hitachi Group engages in a broad range of business activities, from product development and manufacturing to sales and services.

(Note) Hitachi Astemo, Ltd. ceased to be a consolidated subsidiary of the Company following the partial transfer of its shares on October 16, 2023. As a result, the Automotive Systems segment was abolished on April 1, 2024.

One of Hitachi's strengths is the ability to provide solutions that use digital technologies to resolve issues that customers and society face, leveraging its operational technology (OT: Control and Operation technologies), which run equipment and systems at production sites, and social infrastructure such as railways and power plant, and its cutting-edge information technology in addition to the its high-quality and highly reliable products.



As society and business continue to generate more data, Hitachi's Lumada acts as an engine that creates new value from these data and accelerates innovation. Lumada is a general term for the solutions, services and technologies that utilize Hitachi's advanced digital technologies to create value from customers' data and accelerate digital innovation. It is derived from the words "illuminate" and "data" and was created based on the idea of combining the strengths of OT, IT and products cultivated within Hitachi. Hitachi has focused on data generated by social and business activities as a new source of value in the society of the future and launched the Lumada business in 2016 with the goal of using large volumes of data to create innovation for the world.

Utilizing digital technology such as data analytics and AI, the Lumada business builds a cycle of value co-creation with customers that involves understanding customers' management issues, designing, implementing, operating and maintaining solutions to those issues, and working to solve the next issues. Specifically, we provide various solutions, such as:

- solutions to prevent equipment from sudden breakdowns by detecting warning signs that lead to abnormalities using learning models created by collecting operation data,
- solutions to reduce operation shutdowns due to equipment breakdowns and improve operating rates by quickly proposing repair locations and methods using AI, and
- solutions to improve efficiency and the quality of products by centrally managing all kinds of data such as production performance data and utilizing them to review work processes and adjust production in a timely manner.

In this way, rather than relying merely on product sales, we seek to expand the Lumada business by leveraging our strengths in OT x IT x Products, commercializing our expertise in various industries and operations, and shifting to digital solutions that can be provided to multiple customers in order to build a business model based on value created through the provision of solutions, such as a fee income model.

In addition to the above, Hitachi believes that AI is a driving force for innovation that improves society. Hitachi further accelerates the Social Innovation Business through “AI transformation” that significantly improves business productivity and creates new business opportunities through active utilization of rapidly evolving Generative AI. Hitachi’s main initiatives are as follows.

(1) May 2023: Establishment of Generative AI Center

Hitachi established a new organization called “Generative AI Center” to promote the responsible and effective use of generative AI.

Data scientists and AI researchers who have knowledge of generative AI and specialists in the various fields of in-house operations bring together in the center. It offers consulting and other services to support cutting-edge use cases and value creation of generative AI.

(2) December 2023: Assignment of Chief AI Transformation Officer

Hitachi created the position of “Chief AI Transformation Officer” in each of the three sectors: Digital Systems & Services, Green Energy & Mobility, and Connective Industries.

As the promoters leading the implementation of the AI transformation, they are responsible for the coordination and penetration of the group-wide strategy within each sector. In addition, they also facilitate the seamless sharing of validation results, technologies, and know-how, accumulating best practices and prompting the creation of synergies with diverse knowledge to accelerate group-wide projects aimed at transforming internal processes through generative AI.

(3) Expansion of the AI Ecosystem through Partnerships: Acceleration of DX through Collaboration with NVIDIA

In March 2024, Hitachi announced it is collaborating on generative AI with U.S. semiconductor giant NVIDIA Corporation. The two companies accelerate social innovation through DX (digital transformation) by combining Hitachi’s leadership and digital solutions in operational technology (OT) and NVIDIA’s expertise in generative AI. Hitachi will further expand our AI ecosystem with advanced partners, including this collaboration.

[Examples of collaboration with NVIDIA]

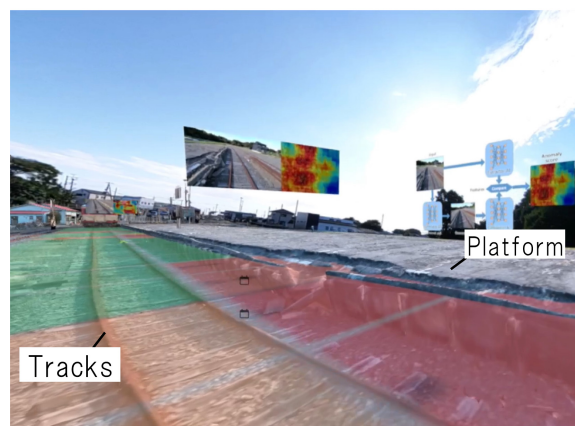
- Development of solutions to optimize facilities and business processes in the energy and transportation fields through advanced simulation in virtual spaces
- Creation of new AI solutions through integration of Hitachi’s Lumada solution library with NVIDIA’s platforms
- Provision of AI infrastructure products that integrate NVIDIA’s AI technologies and image processing semiconductors with Hitachi Vantara’s storage

(4) Use Cases

i. Railway Metaverse Evolving Vehicle Design, Maintenance and service

Hitachi developed the Worksite-Augmenting Metaverse technology that enables to reproduce railway vehicles and tracks in a virtual space (metaverse) by using generative AI, thereby permitting optimal design and safe operation of rolling stock and accurate maintenance of tracks.

For example, operation and maintenance information can be added to a 3D model of a railway track reproduced in the metaverse, and its status can be indicated by color or other means. This technology improves safety and efficiency with support for on-site maintenance operations, fully remote maintenance, and assistance in training to learn in what circumstances repairs are needed, among others.



A 3D model of a railway track reproduced in the metaverse

ii. Internal Process Reform with Generative AI

Within the Group, Hitachi is promoting the use of generative AI in various operations of more than 250,000 employees and thereby accumulating know-how that will lead to productivity improvement. For example, Hitachi is reforming its internal process with the following initiatives.

- Improving productivity in software development, such as code generation, testing efficiency, and responsibility considerations when applying generative AI
- Speeding up customer service operations by integrating past inquiries and operational manuals with generative AI

Hitachi is continuing internal trials and applying them to collaborative creation activities with its customers.

(5) Addressing Risks Involved in Use of AI

While the use of AI as a source of innovation has many advantages, it also entails various risks, including information leakage, copyright and privacy violations, and false information.

Hitachi established Principles guiding the ethical use of AI with a view toward the human-centered development of AI and its societal implementation in 2021, in addition to continuing its existing privacy protection efforts. Hitachi is also promoting the use of generative AI while appropriately managing risks, such as creating guidelines for its use, with the leading role played by the Generative AI Center.

An outline of key businesses for each segment and the positioning of Business Units (BU) of the Company and principal affiliated companies are described as follows. In addition to the table below, the major equity-method associates include Hitachi Astemo, Ltd. and Hitachi Construction Machinery Co., Ltd. as of March 31, 2024.

(As of March 31, 2024)

Segments	Main products and services	BU and principal affiliated companies
Digital Systems & Services	• Digital Solutions (System Integration, Consulting, Cloud Services) • IT Products (Storage, Servers) • Software • ATMs	[BU] Cloud Services & Platforms BU Digital Engineering BU Financial Institutions BU Social Infrastructure Systems BU [Consolidated subsidiaries] Hitachi Information & Telecommunication Engineering, Ltd. Hitachi Channel Solutions Corp. Hitachi Solutions, Ltd. Hitachi Systems, Ltd. GlobalLogic Worldwide Holding, Inc. Hitachi Computer Products (America), Inc. Hitachi Digital LLC Hitachi Digital Services LLC Hitachi Payment Services Private Limited Hitachi Vantara LLC
Green Energy & Mobility	• Energy Solutions (Power Grids, Renewable Energy, Nuclear) • Railway Systems	[BU] Power Grids BU Nuclear Energy BU Railway Systems BU [Consolidated subsidiaries] Hitachi-GE Nuclear Energy, Ltd. Hitachi Plant Construction, Ltd. Hitachi Power Semiconductor Device, Ltd. (Note 1) Hitachi Power Solutions Co., Ltd. Hitachi Energy Ltd Hitachi Rail Ltd.
Connective Industries	• Building Systems (Elevators, Escalators) • Smart Life & Ecofriendly Systems (Home Appliances, Air Conditioners) • Measurement and Analysis Systems (Semiconductor Manufacturing Equipment, Clinical Analyzers) • Industry & Distribution Solutions • Water & Environment Solutions • Industrial Machinery	[BU] Building Systems BU Industrial Digital BU Water & Environment BU [Consolidated subsidiaries] Hitachi Building Systems Co., Ltd. Hitachi Global Life Solutions, Inc. Hitachi High-Tech Corporation Hitachi Industrial Equipment Systems Co., Ltd. Hitachi Industrial Products, Ltd. Hitachi Industry & Control Solutions, Ltd. Hitachi Plant Services Co., Ltd. Hitachi Elevator (China) Co., Ltd. Hitachi Global Air Power US, LLC Hitachi Industrial Holdings Americas, Inc. JR Technology Group, LLC [Equity-method associates] Hitachi Kokusai Electric Inc. Arcelik Hitachi Home Appliances B.V. Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd
Automotive Systems	• Powertrain • Chassis • Advanced Driver Assistance • Motorcycle Systems	[Consolidated subsidiaries] (Note 2)
Others	• Property Management • Others	[Consolidated subsidiaries] Hitachi Real Estate Partners, Ltd. Hitachi America, Ltd. (Note 3) Hitachi Asia Ltd. (Note 3) Hitachi (China), Ltd. (Note 3) Hitachi Europe Ltd. (Note 3) Hitachi India Pvt. Ltd. (Note 3)

(Notes) 1. Hitachi Power Semiconductor Device, Ltd. has ceased to be an affiliate of the Company following the share transfer on

May 2, 2024.

2. Hitachi Astemo, Ltd. has ceased to be a consolidated subsidiary of the Company and become an equity-method associate of the Company following the partial transfer of shares on October 16, 2023. Consequently, there is no company which belongs to the Automotive Systems segment and Automotive Systems segment was abolished on April 1, 2024.
3. 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 the Americas, Asia, China, Europe and India, and they sell the Hitachi Group's products.

4. Information on Affiliates
(1) Consolidated subsidiaries

(As of March 31, 2024)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Information & Telecommunication Engineering, Ltd.	Nishi-ku, Yokohama, Kanagawa	1,350	Digital Systems & Services	100.0	The Company outsources the design, development, manufacturing, evaluation and validation of storage, servers and telecommunication networks equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Channel Solutions, Corp.	Shinagawa-ku, Tokyo	8,500	Digital Systems & Services	100.0	The Company purchases ATMs and other information equipment. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	20,000	Digital Systems & Services	100.0	The Company outsources the development of information systems and software, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
*Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	19,162	Digital Systems & Services	100.0	The Company outsources the calculation, development of software, installation and maintenance of telecommunication equipment and computers. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
*GlobalLogic Worldwide Holdings, Inc.	California, U.S.A.	(Thousands of US dollars) 9,082,164	Digital Systems & Services	[100.0] 100.0	The company operates digital engineering service business. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	(Thousands of US dollars) 14,000	Digital Systems & Services	[100.0] 100.0	The Company supplies parts for computer peripherals. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.

(As of March 31, 2024)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
*Hitachi Digital LLC	California, U.S.A.	(Thousands of US dollars) 10,627,301	Digital Systems & Services	100.0	Holding company for Hitachi Vantara LLC, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
*Hitachi Digital Services LLC	California, U.S.A.	(Thousands of US dollars) 456,368	Digital Systems & Services	[100.0] 100.0	Operating system integration business for industries, financial institutions and others, mainly in North America. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Payment Services Private Limited	Chennai, India	(Thousands of Indian rupee) 79,158	Digital Systems & Services	[58.8] 100.0	Offering the Hitachi Group's payment services for financial institutions in India. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
*Hitachi Vantara LLC	California, U.S.A.	(Thousands of US dollars) 925,000	Digital Systems & Services	[100.0] 100.0	Sales company for the Company's storage, etc. The Company outsources consulting services. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	5,000	Green Energy & Mobility	80.0	The Company delivers nuclear power generation equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	3,000	Green Energy & Mobility	100.0	The Company orders the Construction of the Company's energy and industrial plants, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Power Semiconductor Device, Ltd.	Hitachi, Ibaraki	450	Green Energy & Mobility	100.0	The Company purchases semiconductor components. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.

(As of March 31, 2024)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	4,000	Green Energy & Mobility	100.0	The Company purchases power plant parts, and outsources the maintenance of power generation equipment and control equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Energy Ltd	Zurich, Switzerland	(Thousands of Swiss franc) 1,250	Green Energy & Mobility	100.0	Holding company for power grids business companies from which the Company purchases power grids devices, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
*Hitachi Rail Ltd.	London, U.K.	(Thousands of Sterling pounds) 878,181	Green Energy & Mobility	100.0	Manufacturing, sales, engineering and maintenance of the Company's rail systems products. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	5,105	Connective Industries	100.0	Design, manufacturing, sales, installation and maintenance, etc. of the elevators and escalators the Company has developed. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Global Life Solutions, Inc.	Minato-ku, Tokyo	20,000	Connective Industries	100.0	Manufacturing and sales of the Hitachi Group's home appliances, and sales, system installation and maintenance, etc. of the Group's air-conditioning and refrigerating products. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.

(As of March 31, 2024)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi High-Tech Corporation	Minato-ku, Tokyo	7,938	Connective Industries	100.0	The Company sells and purchases transportation equipment and power-related parts, etc. through this company. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	10,000	Connective Industries	100.0	The Company purchases industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Industrial Products, Ltd.	Chiyoda-ku, Tokyo	10,000	Connective Industries	100.0	The Company purchases industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Industry & Control Solutions, Ltd.	Taito-ku, Tokyo	3,000	Connective Industries	100.0	The Company outsources development of information control systems, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	3,000	Connective Industries	100.0	The Company orders the construction, and outsources services of industrial and public plants, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	(Thousands of Chinese yuan) 538,806	Connective Industries	[70.0] 70.0	Sales, installation and maintenance, etc. of the Hitachi Group's elevators and escalators in China. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.

(As of March 31, 2024)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Global Air Power US, LLC	Indiana, U.S.A.	-	Connective Industries	[100.0] 100.0	The Company purchases industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
*Hitachi Industrial Holdings Americas, Inc.	Illinois, U.S.A.	(Thousands of US dollars) 2,102,670	Connective Industries	[100.0] 100.0	Holding company for Hitachi Global Air Power, LLC and JR Technology Group, LLC, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
JR Technology Group, LLC	Michigan, U.S.A.	-	Connective Industries	[100.0] 100.0	Holding company for JR Automation Technology, LLC, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Real Estate Partners, Ltd.	Chiyoda-ku, Tokyo	2,000	Others	100.0	The Company outsources the management of welfare facilities for employees, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
*Hitachi America, Ltd.	California, U.S.A.	(Thousands of US dollars) 14,651,606	Others	100.0	The Hitachi Group's regional supervising company in Americas, it sells the Hitachi Group's healthcare-related products, etc., and promotes R&D in Americas. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi Asia Ltd.	Singapore	(Thousands of Singapore dollars) 127,649	Others	100.0	The Hitachi Group's regional supervising company for Asia, it sells the Hitachi Group's industrial machinery and train-, healthcare- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.

(As of March 31, 2024)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi (China), Ltd.	Beijing, China	(Thousands of US dollars) 226,380	Others	100.0	The Hitachi Group's regional supervising company for China, it sells the Hitachi Group's plant, industrial machinery and train-, healthcare- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
*Hitachi Europe Ltd.	Stoke Poges, U.K.	(Thousands of Sterling pounds) 253,049	Others	100.0	The Hitachi Group's regional supervising company and promoting R&D company for Europe, it sells the Hitachi Group's industrial machinery and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Hitachi India Pvt. Ltd.	New Delhi, India	(Thousands of Indian rupee) 344,000	Others	[100.0] 100.0	The Hitachi Group's regional supervising company for India, it sells the Hitachi Group's plants and industrial machinery related products, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Others - 540 companies	-	-	-	-	-

(Notes) 1. The unit of amounts and currency shown in the "Common stock" column is millions of yen, unless otherwise specified.

2. The common stock of Hitachi Global Air Power US, LLC and JR Technology Group, LLC is not shown since they are limited liability companies under U.S. law, and do not have common stock.

3. Companies with one asterisk (*) in the "Company name" column are specified subsidiaries.

4. The name of the segment in which the companies are classified is shown in the "Principal business" column.

5. The amounts in brackets in the upper row of the "Ownership percentage of voting rights" column represent voting rights owned indirectly by subsidiaries, as a percentage of the total ownership percentage.

6. A company with negative net worth is shown below, along with the amount of liabilities in excess of assets.

Hitachi Power Europe GmbH 163,742 million yen

7. Hitachi Power Semiconductor Device, Ltd. has ceased to be an affiliate of the Company through the share transfer on May 2, 2024.

8. Revenues of Hitachi Energy Ltd (excluding intra-group revenue among consolidated companies) accounts for more than 10% of consolidated revenue.

Key information on profit or loss:

1) Revenues	1,849,245 million yen
2) Income before income taxes	86,661 million yen
3) Net Income	53,291 million yen
4) Total equity	85,386 million yen
5) Total assets	2,141,953 million yen

(2) Equity-method associates and joint ventures

(As of March 31, 2024)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Kokusai Electric Inc.	Minato-ku, Tokyo	1,000	Connective Industries	20.0	The Company purchases electronic equipment and parts, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Arcelik Hitachi Home Appliances B.V.	Amsterdam, Netherlands	(Euros) 10,000	Connective Industries	[40.0] 40.0	Holding company for operating companies for the Hitachi Group's home appliances business in overseas market.
Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd	Hampshire, U.K.	(Thousands of US dollars) 935,107	Connective Industries	[40.0] 40.0	Holding company for air-conditioning systems business companies from which the Hitachi Group purchases air-conditioning systems devices.
Hitachi Astemo, Ltd.	Hitachinaka, Ibaraki	129,126	Automotive Systems	40.0	The Company purchases parts for railway vehicles, etc. The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
**Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo	81,576	Construction Machinery	25.4	The Company's Directors, Executive Officers or employees concurrently hold the position of directors or officers.
Others - 364 companies	-	-	-	-	-

(Notes) 1. The unit of amounts and currency shown in the "Common stock" column are in millions of yen, unless otherwise specified.

2. Companies with two asterisks (**) in the "Company name" column submit Securities Registration Statement or Annual Securities Report.

3. Regarding Hitachi Kokusai Electric Inc., Arcelik Hitachi Home Appliances B.V. and Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd, the name of the segment in which the companies are classified is shown in the "Principal business" column.

4. A company with negative net worth is shown below, along with the amount of liabilities in excess of assets.

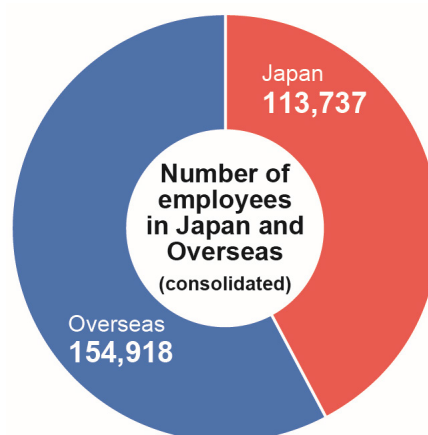
GE-Hitachi Nuclear Energy Holdings LLC 33,164 million yen

5. Employees

(1) Consolidated basis

(As of March 31, 2024)

Name of segment	Number of employees
Digital Systems & Services	106,839 [15,304]
Green Energy & Mobility	65,398 [3,547]
Connective Industries	81,514 [3,314]
Automotive Systems	- [-]
Others	11,589 [2,631]
Corporate (Head Office and others)	3,315 [3,315]
Total	268,655 [28,111]



- (Note) 1. The number in brackets in the lower row of the “Number of Employees” column is the number of employees of the Company included in each of the numbers in the upper row.
2. The number of employees of the Hitachi Group (the Company and its subsidiaries) decreased by 53,870 during one year ended March 31, 2024. This is mainly due to the fact that there is no company which belongs to Automotive Systems segment following the transfer of a part of the Company’s shares in Hitachi Astemo, Ltd., and Hitachi Astemo, Ltd. has ceased to be a consolidated subsidiary of the Company.

(2) The Company

(As of March 31, 2024)

Number of employees	Average age	Average length of service	Average annual salary
28,111	42.9	19.1 years	9,359,857 yen

(Note) Average annual salary includes bonuses and extra wages.

(3) Relationship with labor union

The Company’s labor union, Hitachi Workers Union, is a member of the Japanese Electrical Electronic And Information Union.

The relationship between management and labor unions in the Hitachi Group is stable and cooperative.

(4) Indicators of diversity

1) Disclosure of indicator under Consolidated basis

	Ratio of women employees in managerial positions (%) (Notes 1-4)	Wage gap between men and women (%) (Ratio of women’s wages to men’s wages) (Notes 1-3, 5-8)				
		All employees	Permanent and full-time employees		Part-time or fixed-term employees	
			Managerial level	Non-Managerial level		
The Company and the Hitachi Group	14.1	80.1	80.6	92.3	86.2	74.0
The Hitachi Group (consolidated companies in Japan)	5.7	69.4	70.2	95.7	79.2	61.5
The Hitachi Group (consolidated companies outside Japan)	21.7	89.9	89.5	88.8	91.9	97.2

(Notes) 1. Results from the year ended March 31, 2024 (FY2023) are listed.

2. The companies included in “Hitachi Group (consolidated companies in Japan)” and the assumptions for these calculation are based on the following “2) Disclosure of indicators under the “Act on the Promotion of Women’s Active Engagement in Professional Life” and “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members.”
3. Based on the number of employees (as of March 31, 2024) excluding employees seconded from other companies while including employees seconded to other companies and employees on administrative leave.
4. “Hitachi Group (consolidated companies outside Japan)” does not include some direct employees (manufacturing workers) who are not registered in the human resources database, some employees of newly consolidated companies, and some employees whose grades (job titles) are not registered in the human resources database.
5. “All employees” is the sum of “Permanent and full-time employees” and “Part-time or fixed-term employees”. The “Permanent and full-time employees” are permanent employees in full-time positions, while the “Part-time or fixed-term employees” are employees who are either part-time or fixed-term employees.
6. In principle, “Hitachi Group (consolidated companies outside Japan)” includes companies with 250 or more employees.
7. Calculated in accordance with the laws and regulations of the country where each company is located, basically based on assumed cash compensation including annual basic bonuses, allowances and variable bonuses.
8. We apply the same system of compensation and benefits regardless of the employee’s gender. The gender pay gap is resulting from factors including a high proportion of men employees in senior positions including managers and especially in Japan, the proportion of women employees in managerial position is low and a higher proportion of employees working shorter hours being women rather than men. We will continue to increase the number of women employees in managerial positions in Japan and promote diversity, equity, and inclusion.

2) Disclosure of indicators under the “Act on the Promotion of Women’s Active Engagement in Professional Life” and “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members”

(i) The Company

Company name	Ratio of women employees in managerial positions (%) (Note 1)	Percentage of men employees taking childcare leave (%) (Notes 1-5)	Wage gap between men and women (%) (Ratio of women’s wages to men’s wages) (Notes 1, 2, 6, 7)		
			All employees	Permanent and full-time employees	Part-time or fixed-term employees
Hitachi, Ltd.	7.8	65.2 (*)	69.5	70.9	52.4

(ii) Consolidated subsidiaries

Company name	Ratio of women employees in managerial positions (%) (Note 1)	Percentage of men employees taking childcare leave (%) (Notes 1-5)	Wage gap between men and women (%) (Ratio of women’s wages to men’s wages) (Notes 1, 2, 6, 7)		
			All employees	Permanent and full-time employees	Part-time or fixed-term employees
Hitachi Urban Support, Ltd.	12.2	-	78.4	64.2	88.9
Hitachi IE Systems Co., Ltd.	1.5	0.0 (*)	65.8	71.1	56.7
Hitachi ICT Business Services, Ltd.	9.1	50.0 (*)	69.8	63.9	78.0
Hitachi Academy Co., Ltd.	19.7	100.0	68.3	64.7	73.1

Company name	Ratio of women employees in managerial positions (%) (Note 1)	Percentage of men employees taking childcare leave (%) (Notes 1-5)	Wage gap between men and women (%) (Ratio of women's wages to men's wages) (Notes 1, 2, 6, 7)		
			All employees	Permanent and full-time employees	Part-time or fixed-term employees
Hitachi Advanced Systems Corporation	1.5	75.0 (*)	64.6	64.2	79.5
Hitachi Appliances Techno Service, Ltd.	0.0	0.0 (*)	63.4	68.2	59.7
Hitachi Ibaraki Technical Service Ltd.	3.3	66.7 (*)	87.8	83.8	107.2
Hitachi Pharma Information Solutions, Ltd.	5.1	50.0	69.9	68.8	91.1
Hitachi Industrial Products, Ltd.	0.9	63.9 (*)	68.6	70.2	56.0
Okinawa Hitachi Network Systems, Ltd.	3.3	50.0	75.2	75.6	58.4
Kanto Hitachi Co., Ltd.	1.0	28.6	65.0	64.0	52.1
Kyushu Hitachi Systems, Ltd.	5.5	77.8 (*)	73.6	75.1	89.8
Hitachi Air Conditioning Solutions, Inc.	0.0	0.0 (*)	69.3	69.3	-
Hitachi Global Life Solutions, Inc.	2.1	36.7 (*)	67.4	69.0	64.9
Hitachi KE Systems, Ltd.	2.8	- (*)	81.1	84.6	68.6
Hitachi Transportation Technologies, Ltd.	1.2	35.7 (*)	82.9	88.7	62.9
Hitachi Consulting Co., Ltd.	12.4	90.0 (*)	72.5	72.7	68.5
Hitachi Industrial Equipment Systems Co., Ltd.	2.9	62.7 (*)	71.0	70.8	53.9
Hitachi Industrial Equipment Technology Service, Co., Ltd.	0.0	22.2	48.6	57.9	35.7
Hitachi Industrial Equipment Drive & Solutions Co., Ltd.	0.0	50.0	71.3	74.6	53.3
Hitachi Industry & Control Solutions, Ltd.	2.2	78.9 (*)	70.8	69.6	62.1
Shikoku Hitachi Systems, Ltd.	3.1	40.0	76.0	76.4	66.7
Hitachi Systems, Ltd.	6.8	82.8 (*)	71.1	70.3	52.5
Hitachi Systems Engineering Services, Ltd.	5.3	53.8 (*)	73.0	73.5	67.7
Hitachi Systems Power Services, Ltd.	13.9	60.0 (*)	79.1	79.1	33.3
Hitachi Systems Field Services, Ltd.	3.5	62.5 (*)	61.0	68.3	60.7
Hitachi Social Information Services, Ltd.	5.9	47.1	71.3	72.0	108.8
Hitachi Information & Telecommunication Engineering, Ltd.	2.4	81.0 (*)	73.8	72.7	76.3
Hitachi Solutions, Ltd.	7.4	102.0 (*)	72.0	71.4	90.2
Hitachi Solutions Create, Ltd.	7.2	63.3 (*)	72.7	72.7	57.9

Company name	Ratio of women employees in managerial positions (%) (Note 1)	Percentage of men employees taking childcare leave (%) (Notes 1-5)	Wage gap between men and women (%) (Ratio of women's wages to men's wages) (Notes 1, 2, 6, 7)		
			All employees	Permanent and full-time employees	Part-time or fixed-term employees
Hitachi Solutions Technology, Ltd.	2.8	57.1 (*)	76.5	75.4	89.8
Hitachi Solutions West Japan, Ltd.	5.1	91.3 (*)	69.8	69.7	52.8
Hitachi Solutions East Japan, Ltd.	4.7	54.5 (*)	73.2	74.6	53.6
Hitachi Channel Solutions, Corp.	5.5	57.1 (*)	70.9	70.7	60.7
Hitachi Technologies and Services, Ltd.	0.0	40.0 (*)	76.2	69.1	66.4
Hitachi Document Solutions Co., Ltd.	4.6	50.0 (*)	65.4	68.0	47.8
Hitachi Nico Transmission Co., Ltd.	4.4	64.2	68.9	72.7	54.5
Nichiwa Service, Ltd.	3.7	50.0 (*)	50.4	69.7	62.3
Hitachi Hi-System21 Co., Ltd.	6.7	46.7 (*)	67.1	66.8	73.6
Hitachi High-Tech Corporation	5.2	80.7 (*)	69.9	69.1	74.9
Hitachi High-Tech Kyushu Corporation	50.0	100.0 (*)	72.5	67.0	93.0
Hitachi High-Tech Science Corporation	4.4	54.5 (*)	69.0	70.8	38.5
Hitachi High-Tech Support Corporation	14.3	100.0 (*)	93.9	95.4	74.4
Hitachi High-Tech Solutions Corporation	1.3	100.0 (*)	70.4	68.9	70.8
Hitachi High-Tech Nexus Corporation	7.6	0.0 (*)	58.9	61.2	43.0
Hitachi High-Tech Fielding Corporation	2.0	100.0 (*)	68.6	65.9	93.4
Hitachi High-Tech Manufacturing & Service Corporation	1.4	68.4 (*)	65.2	67.4	76.0
Hitachi Power Solutions Co., Ltd.	1.2	27.7 (*)	66.8	66.5	50.4
Hitachi Power Semiconductor Device, Ltd. (Note 8)	1.1	33.3	67.7	67.5	57.5
Hitachi Building Systems Co., Ltd.	1.9	38.9 (*)	63.9	65.6	51.7
Hitachi Building Systems Engineering Co., Ltd.	1.7	58.8 (*)	67.7	73.5	64.3
Hitachi Plant Construction, Ltd.	1.4	45.5 (*)	65.8	70.2	51.6
Hitachi Plant Services Co., Ltd.	1.0	27.3 (*)	66.4	67.0	52.0

Company name	Ratio of women employees in managerial positions (%) (Note 1)	Percentage of men employees taking childcare leave (%) (Notes 1-5)	Wage gap between men and women (%) (Ratio of women's wages to men's wages) (Notes 1, 2, 6, 7)		
			All employees	Permanent and full-time employees	Part-time or fixed-term employees
Hitachi Plant Mechanics Co., Ltd.	1.6	62.5 (*)(**)	64.8	66.8	63.6
HITACHI INSURANCE SERVICES, LTD.	9.7	100.0 (*)	61.2	58.9	71.9
Hokkaido Hitachi Systems, Ltd.	5.1	100.0 (*)	75.4	74.5	57.6
Hitachi Management Partner Corp.	12.5	0.0 (*)	63.8	61.3	56.5
Hitachi You and I Co., Ltd.	27.3	100.0 (*)	112.1	118.0	91.5
Hitachi Real Estate Partners, Ltd.	4.6	60.0 (*)(**)	64.0	62.9	46.1

(Notes) 1. Results from FY2023 are listed.

2. If there are no employees required for the calculation, “-” is indicated.

3. The figures are calculated by dividing the number of men employees who took childcare leave, etc. in FY2023 by the number of men employees who had a child born in FY2023.

4. For (*), employees taking leave for childcare purposes are included in the numerator.

5. For (**), the rates of childcare leave used in the employment management category according to the Act on the Promotion of Women's Active Engagement in Professional Life are as follows. Employees taking leave for childcare purposes are not included in the numerator.

Company name	Percentage of men employees taking childcare leave (%)
Hitachi Plant Mechanics Co., Ltd.	Management / Professional : 28.6 Skilled / General office work : 100.0
Hitachi Real Estate Partners, Ltd.	Management / Professional : 55.6 Skilled / General office work : 100.0

6. “All employees” is the sum of “Permanent and full-time employees” and “Part-time or fixed-term employees”. The “Permanent and full-time employees” are permanent employees in full-time positions, while the “Part-time or fixed-term employees” are employees who are either part-time or fixed-term employees.

7. We apply the same system of compensation and benefits regardless of employee's gender. The gender pay gap is resulting from factors including a high proportion of men employees in senior positions including the proportion of women employees in managerial position is low and a higher proportion of employees working shorter hours being women rather than men. We will continue to increase the number of women employees in managerial positions and promote diversity, equity, and inclusion.

8. Hitachi Power Semiconductor Device, Ltd. has ceased to be an affiliate of the Company following the share transfer on May 2, 2024

For details on the initiatives being pursued by the Company and its consolidated subsidiaries on diversity, equity and inclusion, please see “Section II Business Overview, 2. Sustainability Approach and Initiatives” and the Hitachi Sustainability Report 2024.

II. Business Overview

1. Management Policy, Business Environment and Challenges Hitachi Group Faces

(1) Management Policy

The Hitachi Group aims to achieve further progress by delivering competitive products and services, thereby creating higher value for customers, following its Mission: to contribute to society through the development of superior, original technology and products. By taking full advantage of its diverse management resources, while at the same time reviewing and restructuring businesses, the Hitachi Group aims to bolster its competitiveness and achieve growth in global markets. This process will be consistent with the Hitachi Group's basic management policy, which is to increase shareholder value by meeting the expectations of customers, shareholders, employees and other stakeholders.

(2) Business Environment and Challenges the Hitachi Group Faces

1) Business environment and challenges facing the Hitachi Group

In today's world, the future is increasingly difficult to foresee. A myriad of changes is taking place, including the rising interstate and interregional conflicts and tensions, climate change, resource shortages, demographic change due to aging populations and problems of urbanization. On the other hand, innovations to solve increasingly complex social issues are emerging across the globe.

In this business environment, under the Mid-term Management Plan 2024 set out in April, 2022, the Hitachi Group aims to "support people's quality of life with data and technology that fosters a sustainable society." Establishing "Digital," "Green" and "Innovation" as the three pillars, the Hitachi Group focuses on the following measures to realize such society through global growth with One Hitachi.



i) Strengthening and Expanding the Data-driven Cycle of Value Co-creation with Customers in Lumada

The Hitachi Group is strengthening the cycle of value co-creation with customers in Lumada by understanding customer's management issues, then designing and implementing solutions to those issues, and implementing operation and maintenance while working to create solutions to the next issue. Riding the growing demand for DX (digital transformation) and GX (green transformation) as a tailwind, the Hitachi Group works to create and roll out Lumada solutions by working with every business in the Hitachi Group including energy, transportation and industry and utilizing cutting-edge technologies such as generative AI.

ii) Promoting Environmental Management and Strengthening Human Capital

Through the Social Innovation Business, the Hitachi Group works to strike a balance between solving environmental issues and improving people's quality of life.

For initiatives aimed at decarbonization, the Hitachi Group has set goals of achieving carbon neutrality at its business sites (factories and offices) by Fiscal 2030, and across the entire value chain by Fiscal 2050. The Hitachi Group is making progress in reducing CO2 emissions at a pace that exceeds its targets. In addition to further promoting reductions, the Hitachi Group is also helping customers reduce their CO2 emissions by providing solutions with its environmentally friendly products.

In addition, to achieve further growth through the utilization of diverse human resources, the Hitachi Group is working to increase the percentages of female and non-Japanese executive-level staff, to acquire and develop digital human resources, etc., and to improve employee engagement to foster a growth mindset as One Hitachi.

iii) Creating Innovation for Growth

The Hitachi Group has advanced the creation of innovation for global business growth and works to expand corporate venturing investments to collaborate with startups, in addition to R&D investments including cutting-edge research. The Hitachi Group will achieve sustainable growth that continues into future generations by exploring the issues faced by society and customers, and devising innovations aimed at solving them.

To generate stable cash even in an unstable business environment that is difficult to foresee, the Hitachi Group strives to grow its business through these efforts and also works to improve asset efficiency through ongoing business restructuring. While enhancing the ability to generate cash, the Hitachi Group will also provide stable returns to shareholders, making the investments necessary for growth in a swift but carefully selected manner.

2) Business environment in the focused business areas and issues to be addressed

The following are the business environment and issues to be addressed in three focal sectors, Digital Systems & Services, Green Energy & Mobility, and Connective Industries.

(Digital System & Service)

The use of digital technologies and services such as AI and analytics is increasingly required to address complex management issues in uncertain social and economic climate. In addition, against the backdrop of serious social and environmental challenges, DX efforts to transform corporate management and society through digital technologies are expanding globally.

In this global DX market, the Digital Systems & Services sector is working to solve issues for customers and society by creating value based on combination of the Hitachi Group's OT, IT and products, leveraging the design and digital engineering capabilities of GlobalLogic Inc. Cooperating with other sectors in the Hitachi Group, the sector will accelerate efforts to provide value by deepening collaboration with customers continuously, to roll out high value-added solutions, and to create new markets through ecosystem building with customers and partners.

The Digital Systems & Services Sector will also work to strengthen its management base by developing and expanding a digitally minded workforce to support these initiatives, while providing value as a partner in solving issues faced by society and customers in Japan and overseas continuously, thereby achieving the sustainable growth of the Lumada business. In addition, the sector will engage in a various co-creation with customers and partners in Japan and overseas to create innovation using rapidly evolving generative AI.

(Green Energy & Mobility)

Against the backdrop of climate change and heightened geopolitical risks, energy conversion has advanced rapidly, and the market is expanding. Specifically, with the electrification of mobility such as buses and rail, and with the expansion of the microgrids due to the diversification and decentralization of the power supply mix, new business opportunities are emerging around the world, including the transformation of conventional social infrastructure businesses into services, and GX efforts to realize a carbon neutral society.

The Green Energy & Mobility Sector helps to achieve sustainable social infrastructure with its integration capability and range of world-class products. The sector contributes to improving QoL through green energy and mobility that are friendly to the global environment. More specifically, the Green Energy & Mobility Sector's products, services, and solutions leverage the strengths derived from a combination of OT, IT, and products in power grids, renewable energy systems, nuclear power generation systems, railway systems, and other businesses. In the energy business, the sector will expand the delivery of services and solutions that will contribute to achieving a carbon neutral society by providing new solutions and promoting clean energy through the fusion of the power grid technologies of Hitachi Energy and digital technologies using Lumada. In the railway systems business, the sector connects traffic networks digitally and accelerates the development of railway operation services and other services utilizing data.

Through these activities, the Green Energy & Mobility Sector helps increase people's wellbeing, including the delivery of decarbonization, stable energy supply, and delivery of safe,

secure, and comfortable railway systems, as the business constituting the core of the creation of green value in the three growth areas in the Mid-term Management Plan 2024. In addition, through Hitachi Energy and railroad signalling business of Thales which newly joined in the Hitachi Group, the sector will accelerate its transformation into a highly profitable business by leveraging its global installed base.

(Connective Industries)

In addition to the rapidly increasing uncertainties in the social environment, such as rising geopolitical risks and an uptick in climate change-driven natural disasters, the rapid advance of digital technology has transformed people's lifestyles and business activities in major ways, and the demand for new DX/GX is greater than ever. This requires interdisciplinary boundary issue-solving between organizations, companies and industries.

The Connective Industries Sector aims to create sustainable value through digitally connecting highly competitive products, including elevators/escalators, home appliances, measurement and analysis equipment, medical equipment and industrial equipment, and providing them as solutions.

More specifically, the sector will reinforce its frontline engineering capabilities to give shape to objectives and measures based on an analysis of customer business concepts and issues, leveraging Lumada's co-creation framework with customers. This will help solve the "edge" issues that exist between management and workplaces, in the supply chain and between different industries, while evolving and expanding total seamless solutions for total optimization, from the industrial sector to the urban, healthcare and green sectors. The sector will also strengthen its recurring business, which provides value on a continuous and cyclical basis through after-sales service based on data generated by connected products, and through deep insight into new issues that the customers need to solve.

Aiming to accelerate global growth, in the industrial fields, the sector will accelerate the development of Total Seamless Solutions in North America, focusing on robotics SI from JR Automation, MES (manufacturing execution system) and SCADA (supervisory control and data acquisition) from Flexware Innovation, air compressors from Hitachi Global Air Power and marking technologies from Telesis Technologies. Furthermore, the sector is focusing on deepening collaboration by utilizing bases close to customers in semiconductor manufacturing equipment business, and strengthening molecular diagnostics and particle therapy business in the healthcare fields, particularly in North America.

The sector sets out "Connecting data, value, industry, and society" as its purpose and aims to be "sustainable value creators" through co-creation with customers.

(3) Targets under the mid-term management plan

Under the Mid-term Management Plan 2024, Hitachi sets the following indicators as performance targets for management.

	Fiscal 2024 Target	Reason for selection as indicators
Annual growth rate for revenue (FY 2021-FY 2024 CAGR) (Notes 1, 2)	5-7%	Indicator to measure growth
Adjusted EBITA margin (FY 2024) (Note 3)	12%	Indicator to measure profitability
EPS (FY 2024) (Note 4)	600 yen	Indicator to measure profitability and shareholder's value
Core free cash flows: cumulative for 3 years (Note 5)	1.2 trillion yen	Indicator to measure ability to generate cash
Return on invested capital (ROIC) (Note 6)	10%	Indicator to measure investment efficiency

(Notes) 1. CAGR is presented as compound annual growth rate.

2. It is calculated excluding listed subsidiaries.

3. Adjusted EBITA is representing the Adjusted operating income (revenues less cost of sales as well as selling, general and administrative expenses), adding back the amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting share of profits (losses) of investments accounted for using the equity method. Adjusted EBITA margin is the ratio calculated by dividing Adjusted EBITA by revenue.

4. EPS is presented as earnings per share. Calculated based on the number of shares before the stock split (scheduled to be effective on July 1, 2024)

5. Core free cash flows are cash flows presented as free cash flows excluding cash flows from M&A and asset sales, etc.

6. ROIC (Return on Invested Capital) is presented as ("NOPAT" + equity in earnings (losses) of affiliates) / "Invested Capital" x 100

"NOPAT (Net Operating Profit after Tax)" = Adjusted operating income x (1 - Tax burden rate)

"Invested Capital" = interest-bearing debt + total equity

In addition to providing the performance targets above, under the Mid-term Management Plan 2024, Hitachi will address the following priority items in order to provide value to customers and society and enhance human capital.



2. Sustainability Approach and Initiatives

The Hitachi Group practices sustainable management, which positions sustainability as the core of its business strategy, to realize a future that achieves both the protection of the earth and a society where every individual is comfortable and active. Specifically, we contribute to solving global social and environmental issues and are working toward the realization of a sustainable society through the Social Innovation Business, which focuses on addressing social challenges. We strive to enhance the resilience of our business to ensure its continuity and increase corporate value by identifying risks and opportunities in our business due to social and environmental changes.

The following describes Hitachi Group's sustainability approach and specific initiatives.

(1) Governance and Risk Management

At the Hitachi Group, the Senior Executive Committee, which includes the Growth Strategy Meeting, Risk Management Meeting, and Human Resource Strategy Meeting, deliberates and makes decision on important sustainability issues. These issues are submitted to the Board of Directors as needed.

The Growth Strategy Meeting discusses matters relating to the management strategies necessary for the Group's growth.

The Risk Management Meeting deliberates and makes decisions on important group-wide risks. The Meeting's goal is to strengthen the Company's management base linked to growth strategies through a unified and horizontal understanding of risks across the entire Group.

The Human Resource Strategy Meeting is positioned as an advisory body to the President, who makes decisions related to the organization and human capital, and the Meeting discusses matters needed to foster an organization and culture aimed at the growth of the Group, and to secure and cultivate human resources.

i) Promotion of Sustainable Management Practices across the Entire Group

We promote sustainability practices throughout the entire Group under the leadership of the Chief Sustainability Officer. We hold the Sustainability Promotion Meeting once or twice a year to discuss important sustainability initiatives and share information. The meeting is chaired by the Chief Sustainability Officer. The other members are the heads of the Business promotion divisions of each business unit (BU) and key Group companies and the Sustainability Officers of regional headquarters.

Individual sustainability themes such as carbon neutrality, circular economy, human rights due diligence (HRDD), diversity, equity, and inclusion (DEI), occupational safety and health, supply chains, quality assurance, etc. are promoted by meeting bodies consisting of responsible staff at BUs and principal Group companies as part of cross-organizational activities in the Hitachi Group, who discuss measures and share information across the entire Group.

ii) Achievement of Sustainability Targets Used to Determine Compensation to Executive Officers

The degree of achievement of quantitative or qualitative sustainability targets are included in the criteria for determining compensation to Executive Officers. To motivate them to implement our sustainability strategy, we have set specific indicators and goals related to material issues in the sustainability strategy, such as Environments, Business with Integrity and Quality of Life, and have included them in the criteria for determining short-term incentives and medium- and long-term incentives.

The compensation to Executive Officers is described in “IV. Information on the Company 4. Corporate Governance, etc. (4) Compensation to Directors and Executive Officers.”

► Compensation to Executive Officers (Fiscal 2023)

Basic compensation: short-term incentive: medium- and long-term incentive = 1:1.2:2* ratio		
Fixed pay	Variable pay	
1 Basic compensation	2 Short-term incentive compensation	3 Medium- and long-term incentive compensation

* For President & CEO

1 Basic compensation

Set according to the relevant position by adjusting that amount to reflect financial results and individual performance.

2 Short-term incentive compensation

Short-term incentives (STI)				
President	Company-wide performance: 70%		Individual evaluation: 10%	Sustainability: 20%
Executive officers in charge of corporate affairs	Company-wide performance: 40%		Individual evaluation: 40%	Sustainability: 20%
Executive officers in charge of business	Company-wide performance: 30%	Divisional performance: 30%	Individual evaluation: 20%	Sustainability: 20%
- Revenues - Adj. EBITA Margin - Core FCF	- Lumada business revenues - EPS	- Revenues - Adj. EBITA Margin - Core FCF	Lumada business revenues	Materiality—“Environment,” “Business with Integrity” and “Quality of Life”—based on the sustainability strategy

3 Medium- and long-term incentive compensation

Medium- and long-term incentives (LTI)		
Compensation with incumbency condition: 30%	Compensation with stock price condition: 70%	When the Mid-term Management Plan targets are achieved Max. +20%
TSR growth rate TOPIX comparison Global competitive comparison ROIC +10% Sustainability +10%		

(2) Initiatives to Address Key Issues

We have identified the following issues as material issues related to sustainability: the environment (contributing to decarbonization and resource circulation), resilience (contributing to the maintenance and rapid recovery of social infrastructure), safety & security (contributing to safe and secure society-building), quality of life (contributing to physical and mental wellness and prosperous life), business with integrity (adhering to ethical standards and respect for human rights), diversity, equity and inclusion (DEI) (contributing to a society where everyone can shine).

The Group has declared its new goal of “supporting people’s quality of life with data and technology that fosters a sustainable society” in the Mid-term Management Plan 2024. The Group is executing its management strategy to accomplish this goal. The chart below illustrates the Group’s objectives. Considering planetary boundaries, we aim to achieve carbon neutrality by FY2050 throughout our value chain. This objective is part of our Hitachi Environmental Innovation 2050 long-term environment targets. In pursuit of wellbeing, we aim to help create a society where every individual is comfortable and active. We strive to enhance our internal and external initiatives and innovate for the world where people have a 100-year lifespan.

Supporting people’s quality of life with data and technology that foster a sustainable society



i. Activities addressing carbon neutrality and climate change (Disclosure based on TCFD)

In June 2018, the Company announced its endorsement of the recommendations by the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) and disclosed information in line with the TCFD's recommendations in Hitachi Sustainability Report 2018 published in 2018. Since then, we have been disclosing information based on the recommendations. In this annual securities report, we include an excerpt.

(a) Governance

The Hitachi Group sees climate change and other environmental issues as important management issues. The governance structure for addressing climate change issues is outlined in the (1) Governance and Risk Management section above.

(b) Strategy

Hitachi Group established its Environmental Vision and Hitachi Environmental Innovation 2050, long-term environment targets in FY2016 in line with the Paris Agreement. To help limit the global temperature rise to 1.5 °C or less as recommended in the subsequent IPCC Global Warming of 1.5 °C report and the IPCC Sixth Assessment Report, we aim to achieve the carbon neutrality of the Hitachi Group factories and offices by FY2030 and the carbon neutrality of our value chain by FY2050. We are implementing our decarbonization initiatives to achieve these goals.



Climate-related Risks

We categorize risks associated with climate change into risks related to the transition to a carbon-free society (applying mostly to the 1.5 °C scenario) and risks related to the physical impact of climate change (applying mostly to the 4 °C scenario). We analyze and manage each category separately.

- Risks related to the transition to a decarbonized economy (applying mostly to the 1.5 °C scenario)

In general, the significant risks related to the transition to a decarbonized economy are the risks that affect businesses that are unable to survive in a carbon-free society, which is related to the risk of becoming unable to use fossil fuels. Because many of the Hitachi Group's current businesses use electricity as an energy source, very few serious risks were found.

In addition to the risk above, the Hitachi Group assumes that the risks related to the transition to a carbon-free society include a carbon tax, taxes on fuel and energy expenses, an increase in the cost of business due to the introduction of emissions trading, etc. and the loss of opportunities to sell products and services due to delayed technological development. Of these risks, the risk of delays in product development for a carbon-free society is inextricably linked to opportunities. We believe that we can avoid this risk by developing businesses that contribute to a carbon-free society.

- Risks related to the physical impacts of climate change (applying mostly to the 4 °C scenario)

The physical risk associated with climate change may include business continuity risks due to meteorological disasters likely caused by climate change, which are, for instance, intensified typhoons, flooding, drought, etc. (acute risks), and rising sea levels, prolonged heat waves, etc. (chronic risks).

Our measure to avoid such risks is to consider location conditions and the placement of facilities in view of damage caused by flooding when building a new factory.

Climate-related Opportunities

The Hitachi Group may find numerous opportunities associated with climate change.

Both the carbon neutrality of business establishments and the reduction of CO2 emissions from the use of products and services sold, which are a large part of the emissions from entire value chains, are important for the achievement of the long-term environmental targets and the CO2 emission reduction target set in the Mid-term Management Plan 2024. The development and provision of products and services that contribute to the reduction of CO2 emissions through energy conservation, and other actions, is a response to customer needs and contributes to the decarbonization of society. There are also opportunities to expand businesses that contribute to decarbonization, such as the spread of carbon-free solutions and services through co-creation with customers. Green transformation (GX) initiatives are the basis of the Social Innovation Business operated as part of the Hitachi Group's management strategies, which creates significant opportunities for short-, medium- and long-term businesses.

The Hitachi Group's risks and opportunities associated with climate change

The Hitachi Group's consideration of these risks and opportunities did not result in the discovery of any serious risks related to climate change that Hitachi is facing at the current stage. We have found that participating in climate change efforts is an opportunity. In either scenario of 1.5 °C or 4 °C, we think that Hitachi has high resilience in a shift to a carbon-free society from a medium- to long-term perspective by focusing on market trends and operating the business flexibly and strategically.

(c) Risk Management

We review and assess climate change-related risks by assessing the environmental impact for each BU and Group company. The results of these evaluations are summarized by the Sustainability Promotion Division. When there are risks and opportunities perceived as particularly important, they will be discussed and decided at the Senior Executive Committee and, if necessary, sent to the Board of Directors for deliberation.

(d) Indicators and Targets

The Hitachi Group's Hitachi Environmental Innovation 2050 long-term environment targets include the following targets.

Medium-term targets: achieve carbon neutrality by FY2030 at Hitachi's business sites (factories and offices)

Long-term targets: achieve carbon neutrality in the value chain by FY2050

The Group has developed the 2024 Environmental Action Plan to achieve these targets by FY2024. The plan spans the same three-year period as the Mid-term Management Plan. The Group has set indicators and targets in the action plan and is managing its progress toward these targets.

Among the indicators related to climate change mitigation and adaptation, the targets and results related to the rate of the reduction of the total CO2 emissions of the factories and offices are as follows.

Indicator	Target			FY2023 (Result)
	FY2030 (medium-term)	FY2024 (short-term)	FY2023 (short-term)	
Rate of reduction of total CO2 emissions in the factories and offices (in comparison to FY2010)	Carbon neutrality	50% reduction	35% reduction	74% reduction

(Note) 1. They are targets of the 2024 Environmental Action Plan. For details, please refer to Hitachi Sustainability Report 2024 which will be published later.

2. Hitachi Astemo, Ltd. has ceased to be a consolidated subsidiary of the Company following the partial transfer of its shares on October 16, 2023, and the amount of its CO2 emissions are not included in the tabulation. The significant improvement in FY 2023 result is due to the exclusion of the amount of Hitachi Astemo, Ltd. and the Hitachi Group's efforts to reduce CO2 emissions.

CO2 emissions of the Hitachi Group (FY2023)

Indicator	(Result)
Scope1 (Note 1, 2)	282kt-CO2e
Scope2 (Note 1, 3)	196kt-CO2e

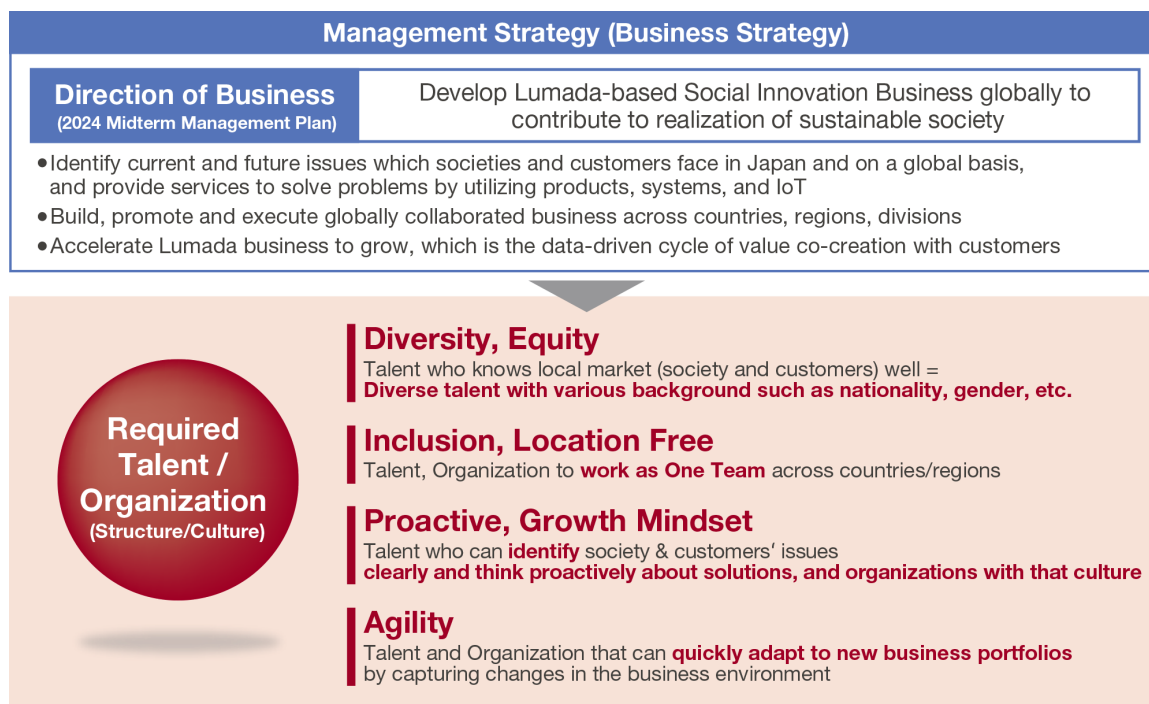
- (Notes) 1. Based on the Environmental Management Classification Criteria established by the Company, we manage all Group business sites classified into three categories: A, B, and C. In addition, the companies belonging to the Hitachi Group as of March 31, 2024 are included in the calculation. Both Scope 1 and Scope 2 cover Category A business sites which have a large environmental impact within the Hitachi Group.
2. Direct emissions from fuel use and industrial process within the Hitachi Group
3. Indirect emissions associated with use of electricity and heat purchased by the Hitachi Group

ii. Activities related to human capital and diversity

(a) Strategy

Hitachi believes that human capital – people, in other words, people – are the source of our value. Therefore, we leverage the combined power of our global network of employees to provide value to our customers and society, contributing to the creation of sustainable societies.

Expanding the Social Innovation Business globally, Hitachi seeks diverse talents who are able to carry out operations proactively as one team across the boundaries of countries, regions and business entities. We seek organizations and talent capable of adapting quickly to an ever-changing world.



We strive to promote talent development and improve our internal work environment based on the following policies.

i) Promotion of diversity, equity, and inclusion (DEI)

There is a place for everyone in Hitachi. We welcome diversity in factors including background, age, gender, sexuality, family status, disability, neurodiversity, race, nationality, ethnicity, religion, and values, because we believe this diversity is a prerequisite to understanding markets, brings about excellent ideas, and promotes innovation that contributes to the evolution of society. We therefore created a global structure for DEI promotion with a commitment by the president & CEO. We aim to increase the percentage of executive-level officers (executive officers and corporate officers) who are women and the percentage who are non-Japanese to 15% each by FY2024. We have been making progress on this, with the ratio of women at 11.8% and non-Japanese at 25% on June 1, 2024. We will continue implementing initiatives in line with our group DEI theme.

<DEI themes of the Hitachi Group and examples of actions related to promotion of DEI>

Our group's DEI themes:

Gender	Provide equal chances and create structures that allow colleagues of any gender to thrive.
Nationality, ethnicity, and cultural diversity	Reflect in our leadership and among our employees the diversity of the markets we serve.
Multi-generations	Enhance collaboration between generations and ensure equal opportunities transcending age, title or position.
LGBTQIA+	Build awareness for the community and encourage understanding for LGBTQIA+ individuals.
Disability and neurodiversity	Strengthen the accessibility of our workplaces and enhance support for people with disability and neurodivergence.

Company-wide actions

▣ Inclusive Leadership Workshop

We provided workshops to executives and corporate officers including those of group companies in Japan and on a global basis. The aim of the workshops is for participants to understand the impact of DEI on business, gain DEI-related skills needed to be leaders in Hitachi, and learn how to demonstrate those skills in daily operations. (There were 84 participants including heads of some group companies in FY2023.) We will continue holding the workshop in FY2024. The FY2024 participants will include the leadership of business entities.

▣ Pride month

We organized various events and webinars on a global and regional basis to support LGBTQIA+ communities. We held the LGBTQIA+ Café Seminar, which brought together 500 people from 50 Japanese group companies and provided them with an interactive session on the theme of "What we can do as allies," using chat functions for both instructors and participants.

▣ DEI month (November)

In November 2023, for the first time, we held a month-long campaign dedicated to DEI to increase awareness on the role of DEI as business driver, inclusive behavior and how to leverage diversity for innovation. As part of the campaign, on November 2 we hosted an online webinar where the three Executive Vice Presidents leading our three sectors, together with the Chief Sustainability Officer, shared their views on the role of DEI in ensuring sustainable and long-term business growth for the Hitachi group. The webinar had 4,000 views in total, including the recorded session available online for Hitachi employees.

▣ DEI e-learning (December)

In FY2023 we delivered a bespoke DEI e-learning module to all employees to build a common understanding of the role of DEI in Hitachi across all businesses and regions, establishing a solid and shared foundation for our ongoing commitment. As of March 2024, more than 185,000 employees had completed the training. Further, 87% of more than 60,000 people surveyed said they agree they had a better understanding of DEI to put into practice in their daily life after the e-learning.

Actions in individual business entities and regions

▣ Hitachi Energy's action

Diversity 360

Diversity 360 is a vision in Hitachi Energy which defines DEI as the core for long-term business success. Hitachi Energy is aiming to embed DEI into its organizational culture itself. In this initiative, the company introduced four cross-division work streams: 1. Our Leadership Pillars, 2. Female Acceleration 3. Living Diversity, Equity, and Inclusion 4. Attract and Grow People.

▣ Actions in Japan

Actions to develop women managers

Although women are gradually making up a greater proportion of managers in Hitachi, Ltd. and Japanese group companies, actions to develop women leaders are still top priorities to raise the proportion to an adequate level. The following are actions we are taking to help female employees build their career and balance work and private life.

Career training for emerging female employees, schemes including a mentoring program to support their career building, and programs such as pre-maternity leave and return to work support seminars to help female employees build a career after return to work

Promotion of male employees' childcare: Expectant parent seminars for pregnant employees and employees whose partner is pregnant to deepen understanding of childcare and childcare leave schemes, as well as schemes to help male employees plan childcare leave and communicate with their superiors

Childcare and nursing care leave schemes offering better support for employees than systems mandated by law, as well as an expansion of concierge services (Concierge for childcare and women health, childcare matching service in collaboration with company-led nurseries for entrance to a nursery school, and other supports for women health)

ii) Global human capital management

Mission	Contribute to Business through Diverse Talents, Equitable Opportunity and Inclusive Organization
Vision	We lead transformation into “Employer of choice” in global market - Become a vibrant “Talent Destination” that contributes to society

	Pillars	Key Initiatives
HR Strategy	People (Talent) Optimize talent (workforce and capability) and engagement for growth	1. Attract, retain, develop and match talents, especially Global Leaders and Digital Talents and maximize their potential 2. Mobilize (Match) right talent for right roles at right time across Hitachi group 3. Focus on employee wellbeing, engagement & experience
	Mindset (Culture) Foster a mindset and culture for growth	4. Live Hitachi's Values and evolve Hitachi's culture for sustainable growth 5. Promote growth mindset with ownership of continuous self development including reskilling & upskilling 6. Promote and reward innovations & change : encourage innovation without fear of failure
	Organization Promote collaboration between divisions and improve productivity and efficiency on a global basis for growth	7. Collaborate to overcome organizational silos to unlock the value of our customers 8. Establish “New Ways of Working” 9. Transform HR to provide more high-quality people services & solutions leveraging digital technology
	Foundation	- Ensure mental and physical Health & Safety - Strengthen Risk Management (compliance, accidents/incidents, disasters, etc.)

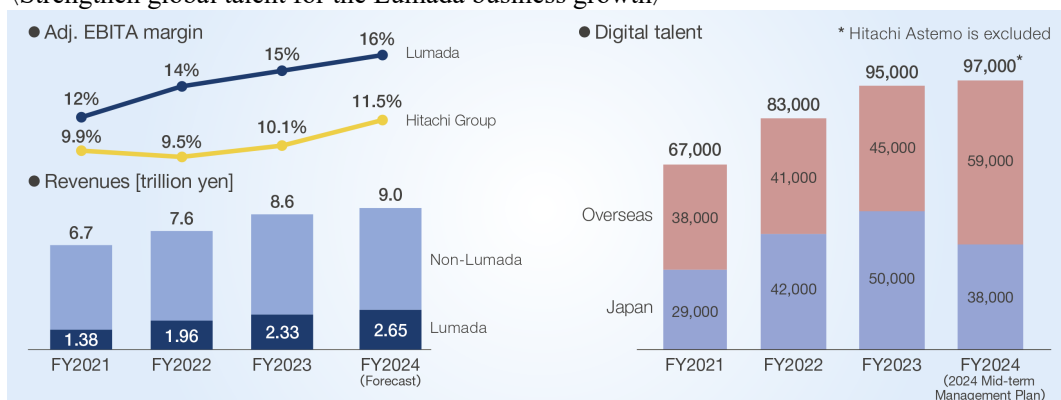
To promote the Social Innovation Business, it is necessary to explore the issues faced by customers and society and pursue co-creation with customers on new solutions that have not previously existed. Hitachi has therefore declared a Mission and Vision for our talent management based on the Mid-term Management Plan 2024. Specifically, we declared our vision to become an employer of choice in the global market by developing an organization in which human resources oriented toward social contribution gather and thrive. To realize that vision, we defined two things as a foundation: Ensuring mental and physical health and safety and enhancing and ensuring risk management. Building on this foundation, we have set three strategic pillars: People, Mindset, and Organization. We pursue our initiatives based on the foundation and pillars.

● Secure and develop digital talent

Aiming to accelerate the Social Innovation Business with the use of digital technology and achieve expansion of the Lumada business, a growth driver for Hitachi, we are focusing on securing and developing the human resources (digital talent) who will drive digital transformation (DX).

We are acquiring digital talent globally by recruitment and business acquisition in accordance with the growth of the Lumada business. The acquisition and development of digital talent also centers on Hitachi Academy, a corporate university of the Hitachi Group, providing an original DX training scheme including more than 100 courses and leveraging hands-on experience, and enhancing internal talent development using GlobalLogic methodology.

〈Strengthen global talent for the Lumada business growth〉



<Capability of human resources to promote the Lumada business>



● Improving employee engagement and fostering the Hitachi culture globally

We conduct Hitachi Insights, an annual global employee survey, and work to plan and promote talent management measures. Senior management and managers at each workplace share the survey results for their organizations with workplace members to identify organizational challenges, and then plan and implement countermeasures through the PDCA cycle.



To increase engagement by promoting actions based on the results of the survey, we identify engagement drivers (items that are highly correlated to increasing engagement) and use them to improve measures.

The Mid-term Management Plan 2024 includes a goal of raising the Employee Engagement Score* to 68.0% by FY2024, which has been achieved ahead of schedule in FY2022. We therefore started aiming at 71.0% to further improve engagement, and scored 68.6% in 2023. Considering this result and the challenges we identified with engagement drivers, the entire group will take actions to improve employee engagement through approaches such as fostering the Hitachi culture globally, improving well-being, accelerating actions to ensure the right person is in the right place and enhancing communication from senior executives.

* the percentage of positive responses to employee engagement questions (The score is calculated from perspectives of: pride in working for Hitachi; whether it is a rewarding place to work; job satisfaction and sense of accomplishment; and desire to continue working for Hitachi for the foreseeable future.)

<Examples of actions to improve employee engagement and foster the Hitachi culture globally>

Company-wide actions

▣ Promote communication for growth of organizations and employees

(e.g. townhall meetings and one-on-one meetings)

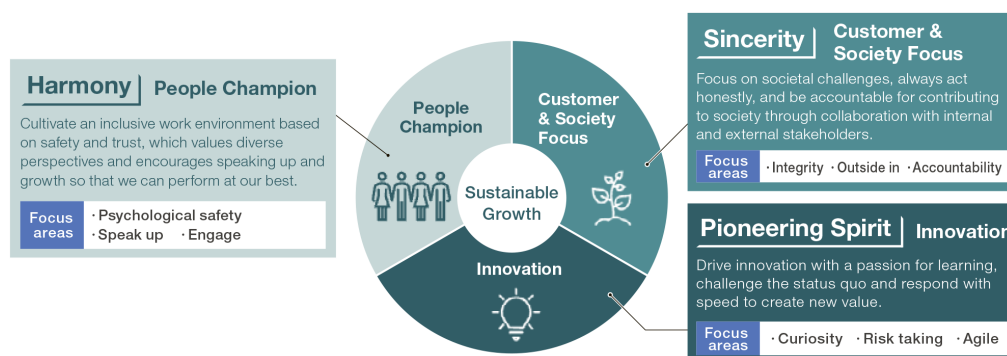
▣ Accelerate talent mobility

(e.g. global talent mobility* and job-based HR management)

*Talent mobility across business sectors and countries/regions

Promoting Hitachi Group Core Competency* and alignment with all HR initiatives

*Hitachi Group Core Competency is based on factors including Hitachi Values and business strategies and specifically defines behaviors which all Hitachi Group employees are expected to take to demonstrate Hitachi founding spirit.



Actions in individual business entities and regions

Hitachi Rail

Leadership Enhancement And Development (LEAD) program

A global approach aimed at developing a common leadership style in line with Hitachi Values.

Training opportunities are provided for 1,000 manager level employees aiming to increase understanding of Hitachi Values and Hitachi Group Core Competencies, grow leadership competencies, and enhance engagement, etc.

Hitachi Digital Services

Promotion of Mental Health First Aiders (MHFA) program

Hitachi Digital Services is promoting participation in the Mental Health First Aiders (MHFA) program to improve mental health and wellbeing. This program provided content for employees to recognize the symptoms of mental health crisis in themselves and their colleagues and learn appropriate initial actions to support them. In FY2023, employees with MHFA certification hosted eight sessions to exchange opinions on mental health issues.

MHFA Members 55 members across all geographies

Webinars with medical experts

Over FY2023 we hosted multiple webinars covering a vast range of health-related topics including stress management, sleep, and hormones led by medical experts.

Events 10 webinars in FY2023.

Topics Range from stress management, importance of sleep, family planning and fertility, menopause awareness, and general healthy habits

Management leader selection and development

Changing business strategies are leading to changing requirements for managerial leadership. Hitachi's leaders are expected to be able to respond to globalization and DX and use not only their own knowledge and experience but also insights derived from inside and outside Hitachi to be accountable for their judgements and decisions. They should also possess capabilities and personalities suited to change and execution.



Roundtable conference between Future50 and directors at Stockholm

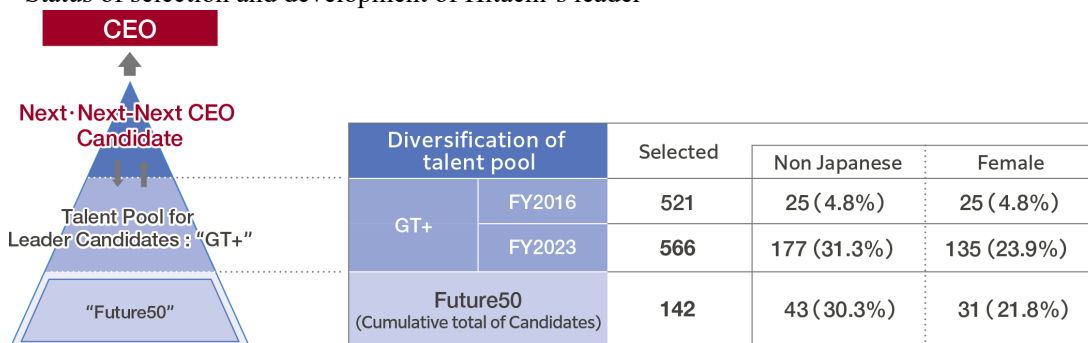
For this reason, we undertake talent reviews and external appraisal (HLPO*) globally to assess both "performance" and "potential". We develop diverse people regardless of factors such as nationality and gender to select members of GT+**, a pool of management leader candidates, and provide Future 50, a program for emerging talent to assign them to leadership positions at an early stage.

These initiatives are led in collaboration between top management and the Nominating Committee using the Global Leadership Development Program (GLD). It is an intensive program to develop candidates for leadership such as future CEOs and division heads. Candidates receive on-the-job training (OJT), including tough assignments, and off-the-job training (Off-JT) such as external education and coaching. We also provide them with opportunities to speak directly with independent directors.

* Hitachi Leadership Profile Online

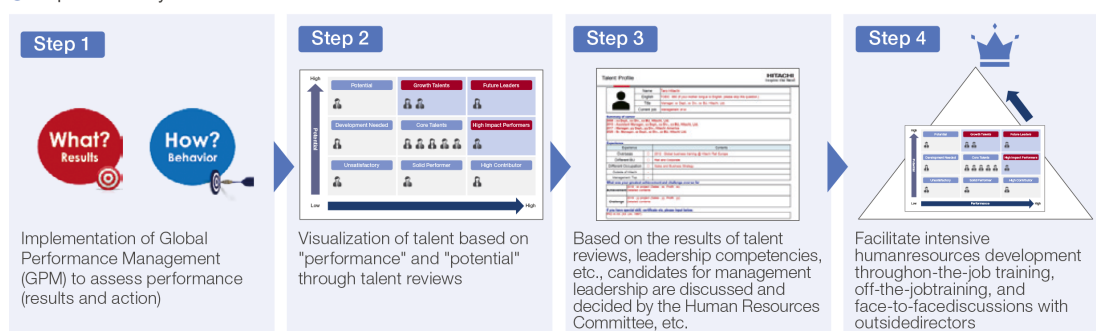
**Global Talent Plus

<Status of selection and development of Hitachi's leader>



<Steps to identify more diverse talents>

Steps to identify more diverse talents



● Putting the right person in the right place and shifting to job-based HR management in Japan

We are building a global integrated human capital management platform and promoting global talent mobility to secure, assign and develop the best human resources worldwide. We started using the platform globally, and we are sharing information such as employee skills and career aspirations through its cloud-based system. We are using it for global employee database and team management. Furthermore, we are planning to implement a global training platform to create an environment where employees learn with autonomy.

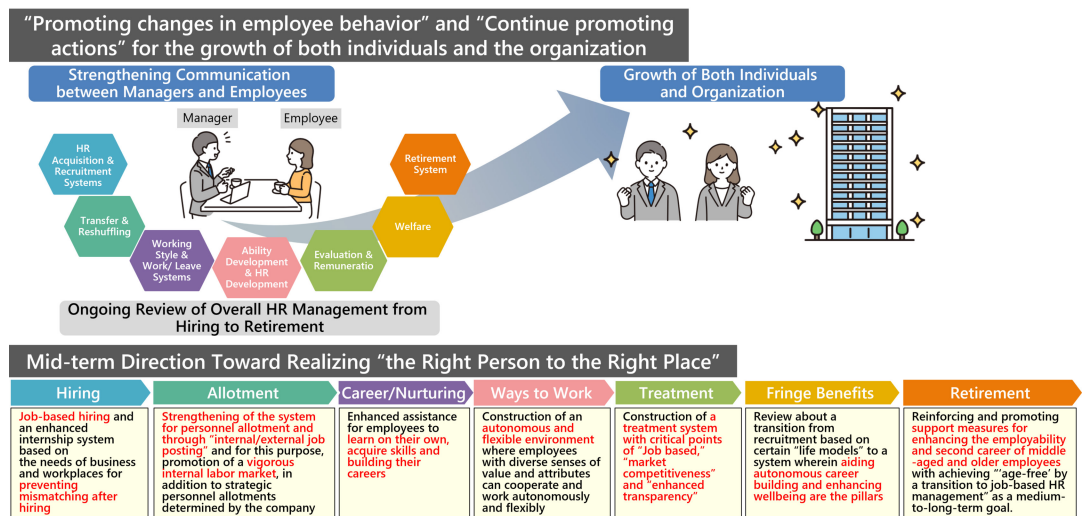
<Penetrate growth-centered behavior through group-wide common HR measures>



<Actions in Japan>

We are accelerating the shift to job-based HR management. By assigning the right people to the right jobs according to their personal abilities and motivations, we aim to maximize the performance of individuals and organizations, improve engagement, and develop both organizations and people. We have taken actions for system building such as visualization of jobs and people through the introduction of job descriptions, promoting the learning experience platform (LXP), trial of a system of internal and external side jobs, and accelerated actions such as enhancement of career-related communications between supervisors and employees to change employees' behaviors from perspectives of their awareness and practices. Continuing these

actions, we will then make the behaviors a habit and instill the job-based HR management into group companies in Japan.



● Ensuring mental and physical health and safety

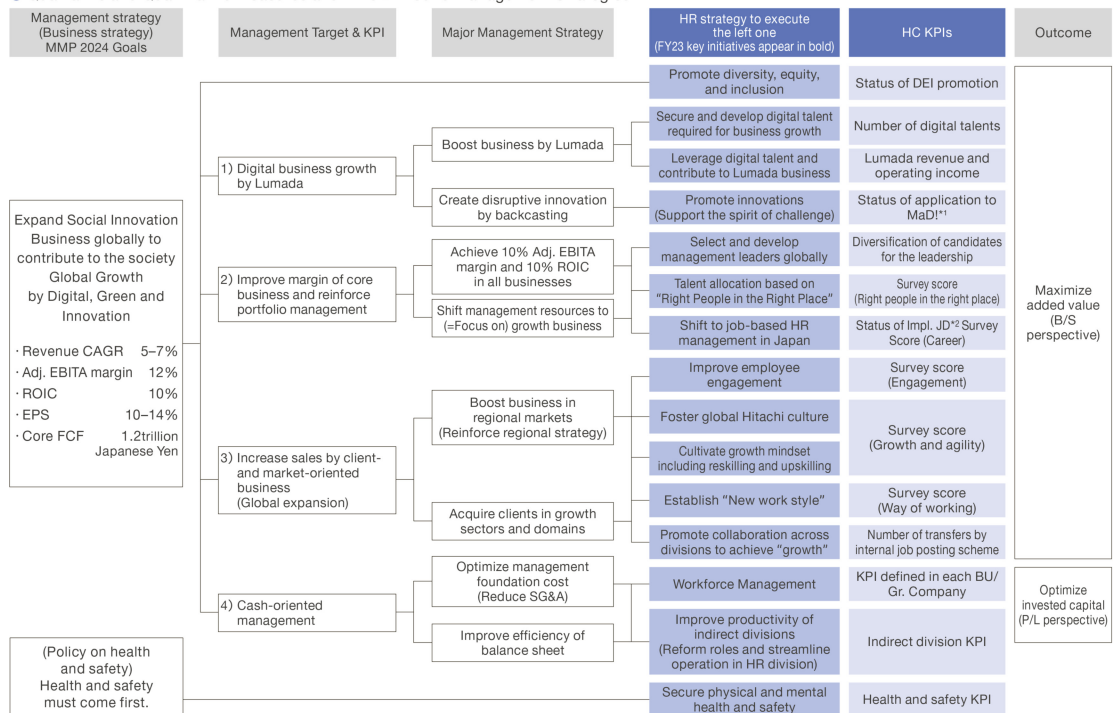
"Health and safety always comes first." is the basic principle underlining the Hitachi Group Health and Safety Policy, and is shared by all Hitachi Group companies around the world. Employees work together with all related companies, including contractors and procurement partners, to develop a safe, secure, comfortable, and healthy workplace for everyone involved in our business activities.

Aiming to develop safe workplaces with zero accidents, Hitachi has developed and introduced occupational health and safety management systems best suited to its business, and conducts regular risk assessments and audits, while also working to roll out occupational health and safety

(b) Indicators and Targets

In implementing specific HR initiatives, we clarify how each of them links to management goals and major management strategies. We set KPIs for each HR strategy and initiative to monitor their progresses.

Qualitative and Quantitative Measures and KPIs Linked to Management Strategies



^{*1} MaDI: Make a Difference! (employee idea contest) ^{*2} JD: Job description

Among the indicators above, the following KPIs are particularly important.

Indicators	Targets	Results
Ratio of women and non-Japanese executives (Global DEI goal) (Note 1)	15% each by FY2024 (Note 2)	Ratio of women: 11.8% Ratio of non-Japanese: 25.0% (As of June 2024)
Number of digital talents	97,000 by FY2024 (Note 3)	95,000 (As of March 2024)
Percentage of positive responses to employee engagement questions in the employee survey	71% by FY2024 (Notes 3, 4)	68.6% (FY2023)
Number of fatal accidents	0 cases per year	4 cases (FY2023)
Total recordable injury frequency rate (TRIFR) (Note 5)	Half the rate of FY2021 by FY2024 (Note 6)	0.16 (FY2023)

(Notes) 1. Targets and results are for the Company only. Executives represent executive officers and corporate officers of the Company.

2. The numbers reflect personnel transfers on April 1, 2024. We achieved the targeted ratio of non-Japanese executives of 15% in FY2022 ahead of schedule. We will continue improving the ratio further.

3. Excluding Hitachi Astemo

4. We have set a new goal since we achieved the original goal, 68% by FY2024 in FY2022 ahead of schedule.

5. Total Recordable Injury Frequency Rate (casualties per 200,000 work hours)

6. FY2021 score was 0.27

We successfully achieved our targets ahead of schedule in fiscal 2022 in terms of the “Ratio of non-Japanese executives” and the “Positive response rate to questions about employee engagement in employee surveys.” On the other hand, regarding “Number of fatal accidents”, we take very seriously the fact that partner companies recorded fatal accidents at construction sites. We launched a working group of our business entities comprising construction divisions and started discussions on group-wide measures to improve safety. We will continue taking measures to become an accident-free workplace under the strong leadership with a vision of “All accidents can be prevented.”

3. Risk Factors

(1) About Risk Management

The Hitachi Group (“Hitachi”) aims to create new revenue opportunities while controlling risk. To do this, Hitachi maintains a clear understanding and analysis of the constantly changing business environment, taking into account social issues as well as its competitive advantages and management resources and conducting risk management with an eye toward the many risks Hitachi should be prepared for as well as opportunities for further growth.

Hitachi strengthens global risk management by establishing the Risk Management Meeting which deliberates on important matters related to group-wide risks in Hitachi’s business management. Through the efforts to identify risks centrally and cross-sectionally by deliberation at the Risk Management Meeting, Hitachi aims to build a solid management base in conjunction with its growth strategy.

(2) Risk Factors

Hitachi conducts business on a global scale across a broad range of business areas and utilizes sophisticated, specialized technologies to carry out its operations. As such, Hitachi’s business activities are affected by a wide range of factors. The factors and measures taken for each risk factor are as follows.

The following risks and countermeasures are based on assumptions Hitachi considers reasonable as of the date of submission of this report. The countermeasures below will not necessarily eliminate the effects of the risks and may not effectively mitigate the effects.

1) Risks Related to Economy

Economic Trends

Hitachi’s business is influenced by the global economy, economic and geopolitical conditions in certain regions or countries. Downward economic trends in regions, countries and Japan cause declines in consumer spending or capital investment. The rising interstate conflicts and tensions could cause restrictions on or cessations of economic activity in certain regions and subsequently, partially restrict Hitachi’s products, systems and services or reduce demand for them, which could adversely affect its business, financial condition, and earnings.

In response to this risk, Hitachi combines the many different aspects of the Social Innovation Business in a range of business fields and regions, and it aims to take prompt countermeasures against geopolitical changes through risk evaluation and other means.

Currency Exchange Rates Fluctuations

Since Hitachi conducts business in many foreign countries, its business activities are exposed to risks from fluctuations in foreign currency exchange rates. Hitachi sells products, provides services and purchases raw materials and components in local currencies. Therefore, fluctuations in foreign currency exchange rates may result in lower revenues or higher costs in yen to Hitachi and thus affect its earnings, which are reported in Japanese yen. Hitachi’s price competitiveness may decline if it seeks to increase prices in local currencies to compensate for lower revenues or to increase prices in yen to absorb the higher cost, and thus its earnings may be harmed. In addition, since Hitachi holds assets and liabilities denominated in foreign currencies, fluctuations in foreign currency exchange rates may adversely affect its financial condition presented in Japanese yen through foreign currency translation.

The table below shows the foreign exchange sensitivity for the fiscal year ending March 31, 2025 (impact of an exchange rate fluctuation of one-yen from the forecast rate) estimated as of March 31, 2024.

Currency	Forecast	Foreign exchange sensitivity (billions of yen)	
		Revenues	Adjusted EBITA
U.S. dollar	140 yen/U.S. dollar	12.0	1.2
Euro	150 yen/Euro	7.0	0.5

To mitigate the risk, Hitachi hedges the foreign exchange risks using forward exchange contracts and currency swap agreements and emphasizes a strategy of selling locally produced goods and services.

Financing Environment

Hitachi's primary sources of funds are cash flows from operations, borrowings from banks and other institutional lenders, and funding from capital markets, such as offerings of commercial paper and other debt securities, as well as equity securities. Hitachi needs liquid funds to pay its operating expenses, the principal of and interest on its debt and dividends on its capital stock. Hitachi also needs long-term financing to fund, among other things, capital expenditures and research and development expenses. Hitachi currently believes its cash flows from operations, borrowings from banks and other institutional lenders and funding from the capital markets can provide sufficient funding for its operations and other liquidity needs. However, a global economic downturn could adversely affect its cash flows from operations, business results and financial condition and may adversely affect its credit ratings. If Hitachi's ratings are downgraded, its ability to obtain additional financing on terms it considers favorable may be negatively affected.

Hitachi's reliance on banks and institutional lenders exposes it to risks related to rising interest rates, and Hitachi may need to increase its reliance on external sources of funding. An increased reliance on debt instruments may adversely affect Hitachi's credit ratings, which might affect its ability to successfully obtain additional financing on terms it considers favorable. The inability to successfully obtain such financing may increase Hitachi's financing costs, and therefore could adversely affect its financial condition and earnings. To reduce risks related to rising interest rates, Hitachi enters into interest rate swap agreements.

Furthermore, the failure of one or more of Hitachi's major lenders or a decision by one or more of them to change the terms and conditions of their loans or to stop lending to Hitachi could have an adverse effect on its access to funding.

Declining Share Prices

Hitachi invests in securities to maintain or promote its business or other relationships with other companies. These securities are exposed to the risk of declining stock prices. Such declines may require that Hitachi writes down equity securities that the Company and its consolidated subsidiaries hold. Further, contractual and other obligations may require the Company and its consolidated subsidiaries to maintain their holdings of these securities despite declining share prices and this may lead to material losses.

The table below shows the number of stock names and the balance sheet amount of the stocks the Company owned at the end of the fiscal year ended March 31, 2024.

	Number of stock names (stock names)	Total amount recorded in the balance sheet (millions of yen)
Unlisted stocks	122	20,445
Others	35	45,889

To deal with these risks, Hitachi has a basic policy, under which it will not acquire and hold other companies' shares except for cases where acquiring or holding such shares is necessary in terms of transactions or business relationship. The Company also has a policy of reducing holdings that it already owns unless the significance and economic rationale of holding the shares are confirmed. Hitachi's policy for shareholding and its examination of the reasonableness of holding equity securities held for purposes other than pure investment are described in "IV Information on the Company - 4. Corporate Governance, etc. - (5) Information on shareholdings."

2) Risks Related to Supply Chain

Material and Component Procurement

Hitachi's manufacturing operations relies on procurement partners for supplies of materials, parts, components and services of adequate quality and quantity, delivered in a timely manner at a reasonable price. Procurement partners may not have the sufficient capacity to meet all of Hitachi's needs during periods of excess demand. Shortages of materials, parts, components and services may cause a sharp rise in their prices. In addition, prices of certain raw materials, parts and components which Hitachi purchases in local currencies, principally the U.S. dollar and the euro, could be adversely affected by fluctuations in foreign currency exchange rates. Increases in the market price of petroleum and other materials, such as

copper, steel, synthetic resins, rare metals and rare-earth minerals, can increase Hitachi's production costs and may adversely affect its earnings. Conversely, decreases in commodity prices, such as for raw materials, parts and components, can result in write-downs of inventory. If natural disasters disrupt the operations of procurement partners and damage supply chains, this may adversely affect Hitachi's production. If there are violations of laws or regulations regarding human rights at procurement partners such as child labor and forced labor, Hitachi's reputation as an entity that places orders may decline and the stable procurement of raw materials or parts from the procurement partners may be hindered, which may adversely affect Hitachi's business, financial condition and earnings.

To deal with these risks, Hitachi establishes close relationships with procurement partners, responds appropriately to changes in demand in different regions, pursues a strategy of selling locally produced goods and services, formulates a business continuity plan (BCP) at domestic bases and major bases overseas to strengthen its ability to deal with business interruption risk, and uses and strengthens its procurement function. To prevent violations of laws and regulations at procurement partners, Hitachi uses self-inspections and audits using questionnaires and initiatives to promote understanding.

Credit Risks Arising from Business Transactions

Hitachi enters into transactions with diverse customers and procurement partners in Japan and other countries. Hitachi sells its products to certain customers on credit and pays in advance for products or services provided by certain procurement partners. Credit deterioration or a failure of one or more of Hitachi's customers and procurement partners could adversely affect Hitachi's financial condition, earnings and cash flows.

To deal with these risks, Hitachi takes measures to manage counterparty credit risk, such as regularly monitoring the credit conditions of such customers or procurement partners and setting limits on transaction amounts according to their credit conditions.

3) Risks Related to Geopolitics in Overseas Business

Overseas Business Activities

Hitachi seeks to expand its business in overseas markets as part of its business strategy. Through this overseas expansion, Hitachi aims to increase revenues, reduce costs and improve profitability. Various factors in foreign countries where Hitachi operates may adversely affect its overseas business activities. These factors include:

- changes in regulations relating to investments, exports, tariffs, antitrust, anti-bribery, consumer and business taxation, intellectual property, foreign trade and exchange controls, human rights, employment and labor, environment, resources and energy;
- differences in commercial and business customs such as terms and conditions of transactions;
- changes in labor relations and practices;
- deterioration of public sentiment against Japan and local residents' sentiment against Hitachi, and criticism and campaigns by various organizations;
- expansion and frequent occurrence of interstate/domestic conflicts;
- changes in national security and foreign policies;
- tightening economic security policies; and
- other political and social factors and geopolitical risk as well as economic trends and currency exchange rate fluctuations.

Because of these factors, there can be no assurance that Hitachi will be able to achieve the aims of its overseas growth strategy. This may adversely affect Hitachi's business growth prospects and earnings.

To deal with these risks, Hitachi constantly determines global political and economic conditions and analyzes their effects on its businesses. Based on the analysis, Hitachi implements group-wide measures, including the transfer of overseas risk assets.

4) Risks Related to Environment

Tightening of Regulations to Prevent Climate Change (Risks Associated with the Transition to a Carbon-neutral Economy)

An increase in business costs due to carbon taxes, taxes on fuel and energy consumption and/or the introduction of carbon emission rights trading, etc., loss of selling opportunities due to delays in the

development of technology for products and services, and investors and society's disapproval of Hitachi's stance on addressing the issue of climate change may adversely affect Hitachi's business activities, earnings and financial condition.

In response to these risks, Hitachi has established its Hitachi Environmental Innovation 2050 long-term environmental targets and has been implementing an array of activities to achieve carbon neutrality. Hitachi will accelerate its efforts to achieve its targets. Divisions are aiming to achieve carbon neutrality for their own operations by fiscal 2030. They are introducing energy-efficient equipment and power generation using renewable energy through the introduction of Hitachi Internal Carbon Pricing, streamlining production and transportation, and promoting the use of electric power from non-fossil energy, etc. to prevent or reduce an increase in carbon taxes and other business costs and to reduce the risk of negative assessment. Hitachi is targeting carbon neutrality in the value chain by fiscal 2050 and aiming to develop and increase sales of innovative products and services that will lead to the reduction of CO₂ emissions and develop energy-efficient products that will help reduce energy consumption.

5) Risk Related to Human Capital

Retaining Skilled Personnel

To remain competitive in Hitachi, Hitachi must continue to recruit and retain the talent it needs to execute its business. In particular, Hitachi is currently seeking talent that can operate globally, talent that can capture needs and provide optimal solution services close to customers, and digital talent that will drive DX. However, excellent talent is limited, and competition to recruit and retain such talent is intensifying. There can be no assurance that Hitachi will be able to recruit or retain the talent it requires.

To deal with these risks, Hitachi is working to secure the talent it needs in a timely manner, both domestically and globally, by promoting diversity, equity and inclusion (DEI), taking steps to create a pleasant workplace and enhance engagement, securing outstanding global talent through a global human resources system, and securing and developing outstanding talent through the use of a global human resources platform and through the implementation of in-house educational programs.

6) Risk Related to Technology

Dependence on Information Systems

With the increased usage and importance of information systems in Hitachi's operating activities, disruptions in such systems due to computer viruses and other factors could have a negative impact on its operating activities, earnings and financial condition. The expansion of remote work is at risk of generating new security risks, including information leaks.

To deal with these risks, Hitachi continuously promotes cybersecurity measures and strictly prescribes and operates security technologies, products and procedures that apply to remote work. However, they may not be effective if unprecedented cyberattacks occur, or if there are any vulnerabilities in systems that are not managed by Hitachi.

Rapid Technological Innovation

New technologies are rapidly emerging in the segments in which Hitachi conducts business. In addition to the development of advanced technologies, the continuous, timely and cost-effective incorporation of such technologies into products, systems and services and the effective marketing of such products, etc. are indispensable to remaining competitive. For instance, it is important to respond to technological innovations, including automation and electrification using technologies such as generative AI, digital and robots and environmentally friendly technologies such as decarbonization and resource circulation. Hitachi is investing substantial management resources in in-house research and development, and in startup investments through its corporate venture fund to continue to provide value to customers while keeping track of trends of change. Failure in Hitachi's endeavors to develop such advanced technologies may negatively affect Hitachi's business, financial condition and results of operations.

To mitigate these risks, Hitachi promotes open innovation involving industry, government and academia, recruits and cultivates digitally savvy human resources and strengthens its grasp of client needs through a collaborative creation process using Lumada. Through those activities, Hitachi works to create an innovation ecosystem.

7) Risks Related to Natural disasters

Physical Impacts by Significant Disasters, Climate Change and Similar Events (Including Risks Related to the Physical Effects of Climate Change)

Hitachi has many facilities, including its R&D facilities, manufacturing facilities and its headquarters in Japan. Historically, Japan has experienced numerous natural disasters such as earthquakes, tsunamis and typhoons. Natural disasters in the future may have a significantly adverse effect on an array of Hitachi's corporate activities, from production to sales. Hitachi also has overseas facilities in Asia, the U.S. and Europe, which are also subject to similar natural disasters. Natural disasters in each of areas may cause damage on certain of Hitachi's plants and offices and the operations of its suppliers and customers. Due to climate change, large-scale natural disasters, including drought, rising sea levels, long heat waves and floods, may become more serious. Such significant natural disasters may directly damage or destroy Hitachi's facilities, which could disrupt its operations, delay new production and shipments of existing inventory or result in costly repairs, replacements or other costs, all of which would result in significant losses. Furthermore, even if such significant natural disasters do not directly affect Hitachi's facilities, they could result in disruptions in distribution channels or supply chains. The spread of infectious diseases and geopolitical and social instability, such as terrorism, crime, civil disturbance and conflict, may also disrupt Hitachi's operations, render its employees unable to work, reduce consumer demand for its products or disrupt its supply and distribution channels, etc. In addition, Hitachi is not insured against all potential losses, and even losses that insurance covers may not be fully covered, and payment of insurance claims may be delayed due to objections, etc. Direct and indirect disruption of Hitachi's operations as a result of natural disasters or other events could have a negative impact on its operating activities, earnings and financial condition.

To deal with these risks, Hitachi works to strengthen its ability to deal with business interruption risk by formulating BCPs. When Hitachi builds a new plant, it determines the layout of equipment within the plant, taking into consideration possible floods.

8) Risks Related to the Others about the Whole of Company Management

Estimates, Fluctuations in Cost and Cancellation of Long-term Projects

Hitachi enters into a substantial number of long-term projects, particularly in connection with the construction of infrastructure systems. When the outcome of a construction can be reliably estimated, Hitachi recognizes revenue and expenses by reference to the stage of completion of the contract activity. In this case, revenue is recognized mainly based on the progress of the project, using mostly the cost incurred relative to the estimated total cost. When the outcome of a construction cannot be reliably estimated, Hitachi recognizes revenue only to the extent of that contract costs incurred will be recoverable, and recognizes contract costs as expenses in the period in which such costs are incurred. The revenue recognition for such long-term projects requires Hitachi to estimate the estimated total cost, estimated total selling price, contract risks and other factors using significant assumptions. However, these estimates are subject to change. Hitachi regularly reviews these estimates and adjusts them as it deems necessary. While Hitachi charges any anticipated losses on fixed price contracts to operations when it is able to estimate such losses, these estimates are subject to change. Fluctuations in costs can occur for a variety of reasons, many of which are beyond Hitachi's control. In addition, Hitachi or its counterparties may cancel these contracts. These factors would require Hitachi to revise its initial assumptions regarding a particular contract, and may adversely affect its business, financial condition and earnings.

To deal with these risks, Hitachi aims to identify and manage risks before the execution of contracts, and its operating division and finance division continue to manage and share identified risks after the execution of contracts for accurate estimates in a timely manner.

Intense Competition

Hitachi competes with diverse competitors ranging from huge global corporations to specialized companies including startups. To keep competitive in this environment, Hitachi's products and services must also be competitive in terms of engineering sophistication, quality and brand value. Hitachi must introduce its products and services to the markets in a timely manner. There can be no assurance that the products and services that Hitachi offers will be competitive. The failure of such products and services to be

competitive may negatively affect Hitachi's business, financial condition and earnings.

In addition, Advanced products, systems and services are becoming commoditized. Their production and development are expanding, together with the provision of services in low-cost regions and the use of the cloud and automation. As a result, price competition is intensifying. On the other hand, soaring raw material prices and personnel costs may increase costs related to manufacturing, sales and service provision. Under such circumstances, if Hitachi is unable to charge prices comparable to those of its competitors, its competitiveness and overall profitability may be harmed. However, if Hitachi charges comparable prices, it may cause a loss.

To deal with these risks, Hitachi is emphasizing innovation through research and development, the expansion of the Lumada business, co-creation with customers, striving to produce high value-added products, cost reduction through value engineering and negotiating price pass-through with client companies.

Sharp Decline in Demand

Oversupply in the markets in which Hitachi competes may lead to declines in sales prices, revenues and profitability. In addition, adjustment to demand may force Hitachi to dispose of excess supply or obsolete equipment or reduce production, which can result in losses. For example, the imbalance between supply and demand in information equipment, elevators, semiconductor and industrial machinery industries and resultant deterioration in market conditions could negatively affect Hitachi's businesses, financial condition and earnings.

To deal with these risks, Hitachi works to strengthen the competitiveness of its products and services and controls the supply and inventory of products and services based on demand forecasts.

Overhaul of Cost Structure

Hitachi implements "the Hitachi Smart Transformation Project," which promotes cost reductions in all activities of its value chain by thoroughly overhauling its cost structure across the group. Hitachi seeks to stabilize earnings and strengthen cash flows by improving its management efficiency through the Project. The Project may be less successful than Hitachi currently anticipates. Even if the Project is successful, there is no assurance that Hitachi will be able to sustain or increase profitability.

Strategy to Strengthen the Social Innovation Business

Hitachi's business strategy seeks to build its business portfolio and achieve a business structure with high growth potential and stable profitability mainly by strengthening the Social Innovation Business. To strengthen the Social Innovation Business, Hitachi plans to devote significant resources including capital expenditures and R&D, and is making investments in mergers and acquisitions and in new projects. In addition, Hitachi attempts to design an organizational structure suitable for promoting the Social Innovation Business more effectively in response to market changes. To implement this strategy, Hitachi has incurred and may continue to incur considerable expenses. Hitachi's efforts to implement this strategy may be unsuccessful or less successful than it currently anticipates. Even if these efforts are successful, there is no assurance that Hitachi will be able to sustain or increase profitability.

To deal with those risks, Hitachi works to manage implementation in a phase gate process in each business unit (BU) and analyze and discuss market trends, trends at competitors, technological trends and potential risks, among other issues, from a range of perspectives, in the Investment Strategy Committee, Senior Executive Committee, the Board of Directors and Audit Committee.

Acquisitions, Joint Ventures and Strategic Alliances

In every operating sector, Hitachi depends to some degree on acquisitions of other companies, joint ventures and strategic alliances with outside partners to design and develop key new technologies and products, to strengthen competitiveness by complementing and expanding products, systems and services and by scaling up and to acquire new locations and customer bases to expand into new regions and businesses. Matters which may have adverse effects on Hitachi's financial condition or profitability are described in "V. Financial Information - Notes to Consolidated Financial Statements - (5) Business Acquisitions and Divestitures." Such transactions are inherently risky because of the difficulties in integrating operations, technologies, products and personnel and achieving a return on investment.

Integration issues are complex, time-consuming and expensive and, without proper planning and implementation, could adversely affect Hitachi's business. Decisions made by or the performance of alliance partners that Hitachi cannot control or adverse business trends may also negatively affect the success of its alliances. Hitachi may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to the integration or restructuring of acquired businesses. Major financing for these costs may cause deterioration in Hitachi's financial condition and decrease its capacity to finance. If it is expected that the amount invested is irrecoverable due to a decline in the profitability of an investee, Hitachi may incur significant losses, including impairment loss for goodwill. Hitachi had goodwill of 1,433,628 million yen in the Digital Systems & Services segment, 690,034 million yen in the Green Energy & Mobility segment and 248,016 million yen in the Connective Industries segment as of March 31, 2024. The amount of goodwill in each segment is described in "V. Financial Information - Notes to Consolidated Financial Statements - (4) Segment Information." There can be no assurance that these transactions will be beneficial to Hitachi's business or financial condition. Even assuming these transactions are beneficial, there can be no assurance that Hitachi will be able to successfully integrate the acquired businesses or achieve all or any of the initial objectives of these transactions.

To deal with those risks, Hitachi works to manage implementation in a phase gate process in each BU and analyze and discuss market and industry trends, strategies, purchase prices, PMI (post-merger integration) processes and potential risks, among other issues, from a range of perspectives, in the Investment Strategy Committee, Senior Executive Committee, the Board of Directors and Audit Committee.

Business Restructuring

Hitachi's business strategy seeks to build its business portfolio and achieve a structure with high growth potential and profitability in part by:

- closing unprofitable operations;
- divesting subsidiaries and affiliated companies;
- reorganizing production bases and sales networks; and
- selling select assets.

Hitachi's restructuring efforts may not be implemented in a timely manner or at all, including due to governmental regulations, employment issues or a lack of demand in the M&A market for businesses it may seek to sell. Restructuring efforts may also bring about unintended consequences, such as negative customer or employee perceptions, and in connection with past business restructuring, have caused and may continue to cause us to incur significant expenses and other costs, including additional impairment losses on Hitachi's fixed assets and intangible assets, write-offs of inventory and losses on the disposal of fixed assets and losses related to the sale of securities. Current and future restructuring efforts may be unsuccessful or less successful than Hitachi presently anticipates and may adversely affect its business, financial condition and earnings.

To deal with these risks, Hitachi analyzes and discusses market and industry trends, strategies, sales prices, processes and potential risks, among other issues, from a range of perspectives, in the Investment Strategy Committee, Senior Executive Committee, the Board of Directors and Audit Committee.

Worsening of Business Performance of Equity-Method Affiliates

Hitachi uses the equity-method to account for a number of associates and joint ventures. If one or more of such equity-method affiliates records a loss during a given period, Hitachi must record that loss in a manner proportionate to its ownership interest in its consolidated financial statements. In addition, if the carrying amount of Hitachi's equity-method investments in associates or joint ventures is below the recoverable amount of the investments, Hitachi could be required to record an impairment loss.

The table below shows investments accounted for using the equity method as of March 31, 2024.

(Millions of yen)

Segment	March 31, 2024
Digital Systems & Services	49,496
Green Energy & Mobility	104,383
Connective Industries	175,255
Automotive Systems (Note 1)	-
Others	4,626
Subtotal	333,760
Corporate Items and Eliminations (Note 2)	482,674
Total	816,434

(Notes) 1. Hitachi Astemo, Ltd. has ceased to be a consolidated subsidiary of the Company and become an equity-method associate of the Company following the partial transfer of shares on October 16, 2023. Consequently, there is no company which belongs to the Automotive Systems segment.

2. Investments accounted for using the equity method in Hitachi Astemo Ltd., Hitachi Construction Machinery Co., Ltd. and their subsidiaries are included in "Corporate Items and Eliminations".

To deal with these risks, Hitachi practices investment income management using Adjusted EBITA (defined as Adjusted Earnings before interest, taxes and amortization, and representing the Adjusted operating income (revenues less cost of sales as well as selling, general and administrative expenses), adding back the amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting the share of profits (losses) of investments accounted for using the equity method) and return on invested capital (ROIC) and concentrates its investment in fields where profitability and growth are high. Hitachi monitors the achievement of business plans and the financial position at equity method affiliates in which Hitachi invests and sell businesses with low profitability and investee companies whose future competitiveness warrants concern.

Litigation and Other Legal Procedures

Hitachi faces the risk of being involved in litigation and alternative dispute resolution as well as regulatory investigation and actions in connection with its operations. Lawsuits or any other legal procedures for resolving disputes and regulatory actions may seek the payment of large, indeterminate amounts or otherwise limit Hitachi's operations, and their existence and magnitude may remain unknown for substantial periods of time.

In past, Hitachi has been the subject of several investigations of alleged antitrust violations in relation to certain product markets in Japan, Europe and North America, etc. and has received claims for damages from its customers, etc., which may have adverse effects on its financial condition or profitability. See "V. Financial Information - Notes to Consolidated Financial Statements - (29) Commitments and Contingencies." These investigations or disputes may result in significant penalties or compensation for damages, etc. in multiple jurisdictions. Such substantial legal liability or regulatory action could have an adverse effect on Hitachi's business, earnings, financial condition, cash flows, credibility and reputation. Furthermore, even if Hitachi is found to have no legal liability and it is not subject to regulatory actions or compensation for damages, Hitachi's credibility and reputation could nonetheless have been affected.

In addition, Hitachi's business activities are subject to various governmental regulations in countries where it operates, which include investments, exports, tariffs, antitrust, anti-bribery, consumer and business

taxation, intellectual property, foreign trade and exchange controls, human rights, employment and labor, environment, resources and energy. These regulations limit, and other new or amended regulations may further limit, Hitachi's business activities or increase operating costs. In addition, the enforcement of such regulations, including the imposition of fines or surcharges for violations of such regulations, may adversely affect Hitachi's earnings, financial condition, cash flows, credibility and reputation. In addition, responding mainly to regulations on the protection of personal information may have an adverse effect on Hitachi's business.

To deal with these risks, Hitachi works to identify operations where regulations are applied, assess risks, take steps in response to risks and provide education to employees.

Product Quality and Liability

Hitachi increasingly provides products and services utilizing sophisticated technologies. Procuring parts from procurement partners reduces Hitachi's control over quality assurance. The occurrence of defects in Hitachi's products and services or inappropriate conduct in respect to quality could negatively affect its reputation for quality of products and services, expose it to liability for damages caused by such defects and negatively affect its ability to sell certain products. A significant product defect could adversely affect Hitachi's earnings, financial condition and future business prospects.

To deal with these risks, Hitachi conducts activities to prevent accidents and comply with technical laws and regulations, thorough risk assessment, and education on quality, reliability and reactions when product accidents occur. Furthermore, in response to past inappropriate quality-related practices at subsidiaries of the Company, Hitachi has taken steps to create a structure that puts the safety and security of the customer first, enhancing the independence of assurance divisions within business divisions by making them more independent of production design divisions and manufacturing divisions. In addition, Hitachi has reinforced the reporting line of the quality assurance divisions of the Corporate Quality Assurance Group of the Company and established systems for close information sharing between the two sides.

Management of Confidential Information

Hitachi maintains and manages personal information obtained from its customers, as well as confidential information of its customers and clients, relating to its technology, research and development, production, marketing and business operations in various forms. Unauthorized disclosures of such information could subject Hitachi to complaints or lawsuits for damages or could otherwise have a negative impact on its business, financial condition, earnings, credibility and reputation.

To deal with these risks, Hitachi establishes and implements rules on the management of confidential information and implements identity management and access control through encryption and the building of authentication infrastructure. Hitachi also examines information security at procurement partners.

Intellectual Property

Hitachi depends in part on proprietary technology and its ability to obtain patents, design rights, trademarks and other forms of intellectual property rights covering its products, product design, manufacturing processes and software-based services in Japan and other countries. The fact that Hitachi holds such intellectual property rights does not ensure that they will provide a competitive advantage to Hitachi. Various parties may challenge, invalidate Hitachi's patents, design rights, trademarks and other intellectual property rights or circumvent their use. There can be no assurance that claims allowed on any future patents will be sufficiently broad to protect Hitachi's technology. Effective patent, design right, copyright and trade secret protection may be unavailable or limited in some of the markets in which Hitachi operates, and its trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors and other persons.

To deal with these risks, Hitachi searches known examples before applying for intellectual property rights to increase the probability of obtaining rights and to obtain rights suitable for business. In countries where intellectual property protection is unavailable or limited, Hitachi strives to curb the unauthorized use of intellectual property primarily through contracts with employees and contractors.

Hitachi designs many of its products to include software or other intellectual property licenses from third parties. Competitors may not make their protected technology available to Hitachi, or may make it available to Hitachi only on unfavorable terms and conditions. There can be no assurance that Hitachi will

be able to maintain a license for such intellectual property if obtained, for economic or other reasons, or that such intellectual property will give Hitachi the commercial advantages that it desires.

To deal with these risks, Hitachi endeavors to maintain good relations with the third parties through contracts and negotiations to exercise intellectual property rights.

From time to time, Hitachi is sued or receives notices regarding patent, design right and other intellectual property claims. Whether or not these claims have legitimacy, they may require significant resources to defend against and may divert management attention from Hitachi's business and operations and result in harm to its reputation. In addition, a successful infringement claims and Hitachi's inability to obtain the license for the infringed technology or substitute similar non-infringing technology may adversely affect its business.

To deal with these risks, Hitachi works to avoid disputes with other companies chiefly by conducting a patent clearance study before selling a new product or providing a new service and by changing the design of products or services if necessary.

Employee Retirement Benefits

Hitachi has a significant amount of employee retirement benefit costs that it derives from actuarial valuations based on a number of assumptions. Inherent in these valuations are actuarial assumptions used in estimating pension costs including mortality, withdrawal and retirement rates, changes in wages and the discount rate. Hitachi is required to make judgments regarding the actuarial assumptions by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Although management believes that its actuarial assumptions are reasonable in light of the various underlying factors, there can be no assurance that the actuarial assumptions will correspond to actual results. If Hitachi's actuarial assumptions differ from actual results, the consequent deviation of actual pension costs from estimated costs may have an adverse effect on Hitachi's financial condition and earnings. A decrease in the discount rate may result in an increase in the amount of projected benefit obligations. In addition, Hitachi may change these actuarial assumptions, such as the discount rate. Changes in key assumptions may also have an adverse effect on Hitachi's financial condition and earnings.

To mitigate the risk, on April 1, 2019, Hitachi sought to change the corporate pension plan for its current employees participating in the Hitachi Pension Fund to a risk-sharing corporate pension plan and the change to a risk-sharing corporate pension plan managed by the Hitachi Pension Fund was completed on April 1, 2023. The revision can reduce asset management risks for the Company and subsidiaries participating in the Hitachi Pension Fund by fixing the Company's premium payments, and it is also possible to reduce the risk of an adverse effect on Hitachi's financial condition and earnings by discontinuing the recognition of liabilities related to retirement benefits.

9) Risks Related to the American Depositary Shares

Rights of ADS Holders

The rights of shareholders under Japanese law to take actions, including voting their shares, receiving dividends and distributions, bringing derivative actions, examining the Company's accounting books and records and exercising appraisal rights are available only to shareholders of record. Because the depositary, through its custodian agents, is the record holder of the shares underlying the American Depositary Shares, or ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying ADSs in accordance with the instructions of ADS holders and will pay dividends and distributions collected from us as and to the extent provided in the deposit agreement. However, ADS holders will not be able to bring derivative actions, examine the Company's accounting books and records, or exercise appraisal rights through the depositary.

The Company is incorporated in Japan with limited liability. A significant portion of its assets are located outside the United States. As a result, it may be more difficult for investors to enforce against us judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or judgments obtained in other courts outside Japan. There is doubt as to the enforceability in Japanese courts, in original actions or in actions for enforcement of the judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

Unit Share System

The Companies Act allows companies to establish a "unit" of shares for the purpose of exercising voting rights at the general meetings of shareholders. Under the Company's articles of incorporation, one unit of its shares is composed of 100 shares, equivalent to 50 ADSs. Each unit of the Company's shares has one vote. A holder who owns shares or ADSs in other than multiples of 100 or 50, respectively, will own less than a whole unit (i.e., for the portion constituting fewer than 100 shares, or fewer than 50 ADSs). The Company's articles of incorporation, in accordance with the Companies Act, impose significant restrictions on the rights of holders of shares constituting less than a whole unit, which include restrictions on the right to vote, to attend a shareholders' meeting and to bring derivative actions. In addition, less than whole unit shares cannot be traded on Japanese stock markets. Under the unit share system, holders of the Company's shares constituting less than one unit have the right to require us to purchase their shares and the right to require us to sell them additional shares to create a whole unit of 100 shares. However, holders of its ADSs are unable to withdraw underlying shares representing less than one unit and, as a practical matter, are unable to require us to purchase those underlying shares. The unit share system, however, does not affect the transferability of ADSs, which may be transferred in lots of any number of whole ADSs.

Dilution of Shares by Issuances of Additional Shares

The Company may issue additional shares in the future within the unissued portion of its authorized share capital and sell shares held as treasury stock, generally without a shareholder vote unless the amount to be paid for shares is significantly lower than the market price. The issuing and sale of its shares in the future may be at prices below the prevailing market prices and may be dilutive.

Foreign Exchange Fluctuations

Market prices for the Company's ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the amount of cash dividends or other cash payments made to holders of ADSs will decline if the value of the yen declines against the dollar.

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

(1) Progress of Management Plan

1) Status of Key Indicators laid out as Management Targets

Under the "the Mid-term Management Plan 2024," the key indicators to measure performance in terms of meeting our management goals are as follows.

Index	Results	Target of the Mid-term Management Plan 2024
Annual growth for revenues (Note1)	(CAGR from Fiscal 2021 to Fiscal 2023) 13%	(CAGR from Fiscal 2021 to Fiscal 2024) 5%-7%
Adjusted EBITA margin (Note1)	(Fiscal 2023) 10.1%	12%
Return on invested capital (ROIC) (Note2)	(Fiscal 2023) 8.7%	10%
EPS (Notes2, 3)	(Fiscal 2023) 634.57 yen	(Fiscal 2024) 600 yen
Core free cash flows (Note2)	(Cumulative for Fiscal 2022 and Fiscal 2023) 987.9 billion yen	(Cumulative for three years) 1.2 trillion yen

(Notes) 1. Presented as the consolidated total excluding the total number of the Automotive Systems, Hitachi Construction Machinery and Hitachi Metals segments.

2. Calculated based on the consolidated total.

3. "the Mid-term Management Plan 2024" target is calculated using the number of shares before the share split (scheduled to become effective on July 1, 2024)

2) Global Business Expansion

In the current fiscal year, as the second year of the "the Mid-term Management Plan 2024," Hitachi chiefly pursued the following initiatives and accelerate its shift to growth mode.

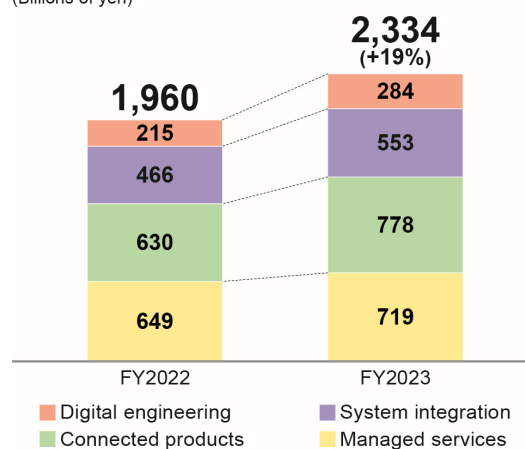
– Further Growth of Social Innovation Business in Response to Rising DX (digital transformation) and GX (green transformation) Demand

While the global market continued to experience growing DX and GX demand, Hitachi worked as One Hitachi to strengthen the cycle of value co-creation with customers under Lumada by understanding customers' management issues, then designing and implementing solutions to those issues, and implementing operation and maintenance while tackling solutions to the next issues. As a result, Lumada business revenues reached 2,334 billion yen, an increase of 19% from the previous fiscal year.

Orders received by Hitachi were still solid. In Japan, Hitachi received an order for the next-generation nationwide load dispatching system and contributes to stable electricity supply by sharing the nationwide* power supply and demand adjustment systems. Overseas, Hitachi Energy Ltd secured its largest multi-year framework agreement to support TenneT with six North Sea offshore wind connections in partnership with Petrofac. In the railway systems business, Hitachi Rail Ltd. has received an order from Trenitalia S.p.A in Italy for high-speed railways worth approximately 140.0 billion yen.

*2 Excluding Okinawa area

Lumada business revenues
(Billions of yen)



Notes: 1. Lumada business revenues in the three segments of Digital Systems & Services, Green Energy Mobility and Connective Industries.
2. Number in parentheses is the growth rate from the previous fiscal year.

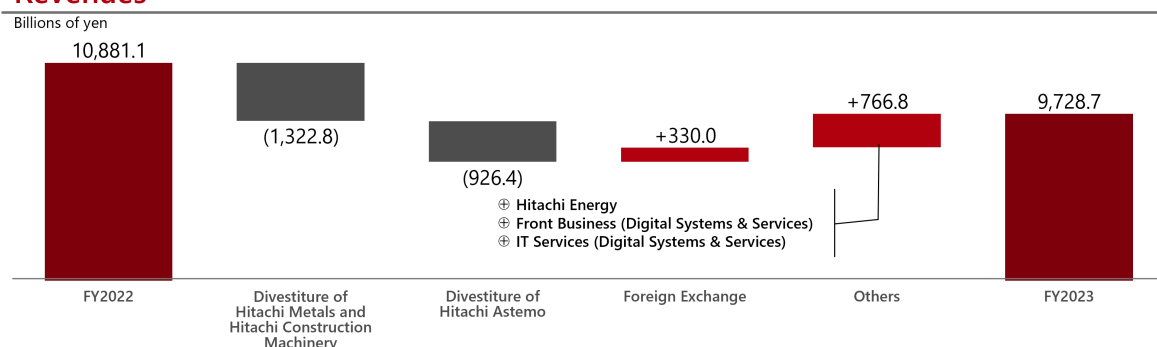
– Global reorganization to further strengthen Lumada business

We restructured our organization globally to strengthen the cycle of value co-creation in Lumada and accelerate synergies with the OT (Operational Technology) field. We spun off Hitachi Vantara’s digital solutions business and established Hitachi Digital Services. As an OT×IT integrator, we will work with Hitachi Vantara and GlobalLogic, as well as OT fields such as energy, transportation, and industry, to drive the global growth of the Lumada business with One Hitachi. In addition, we spun off Hitachi Vantara’s IT products business, which has been responsible for business development, R&D, and production of data infrastructure such as storage, and established Hitachi Vantara Co., Ltd., thereby establishing an unified management system for manufacturing, sales, and services with Hitachi Vantara.

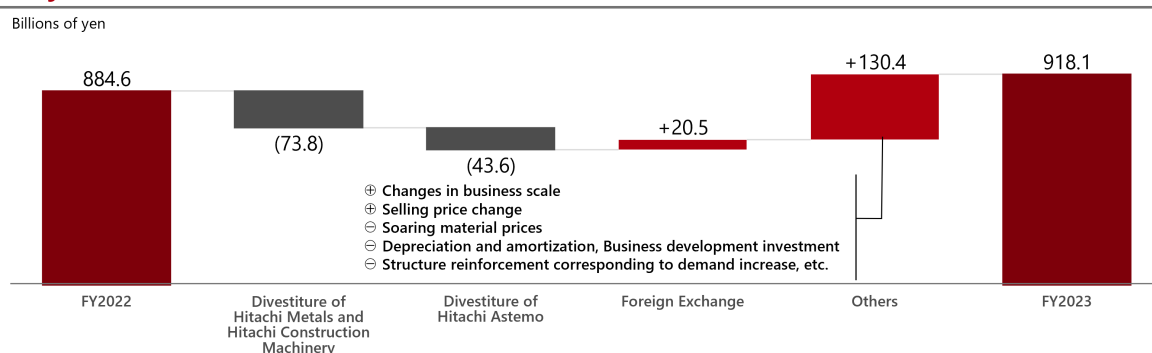
(2) Analysis of Results of Operations

1) Statement of Operations

Revenues



Adj. EBITA



Revenues decreased 11% from the year ended March 31, 2023 (fiscal 2022), coming to 9,728.7 billion yen. Revenues decreased due mainly to selling a part of the shares of Hitachi Astemo, Ltd., and Hitachi Construction Machinery Co., Ltd., and shares of Hitachi Metals, Ltd. (Currently Proterial, Ltd.). The decrease was partially offset by increased revenues in the Green Energy & Mobility segment which includes Hitachi Energy Ltd and the Railway Systems business which performed well and in the Digital Systems & Services segment which includes the solid performance of the Lumada business due to the harvesting of strong demand for DX in Japan and overseas.

Cost of sales decreased 13% to 7,146.6 billion yen, as compared with fiscal 2022, and the ratio of cost of sales to revenues decreased 2% to 73%. Gross profit decreased 4% to 2,582.0 billion yen, as compared with fiscal 2022.

Selling, general and administrative expenses decreased 6% from fiscal 2022 to 1,826.2 billion yen. The ratio of selling, general and administrative expenses to revenues increased 1% from fiscal 2022 to 19%.

Share of gains (losses) of investments accounted for using the equity method increased 22.4 billion yen year on year to the gains of 75.2 billion yen.

As a result of the foregoing, Adjusted EBITA (defined as Adjusted Earnings before Interest, Taxes and Amortization, and representing the revenues less cost of sales as well as SG&A, adding back the amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting

share of profits (losses) of investments accounted for using the equity method) increased 33.5 billion yen to 918.1 billion yen, as compared with fiscal 2022.

Other income decreased 185.5 billion yen to 116.6 billion yen and other expenses decreased 147.8 billion yen to 97.1 billion yen, as compared with fiscal 2022. The main components are as follows;

- The net gain on sales and disposal of property, plant and equipment increased 14.7 billion yen to 17.0 billion yen, as compared with fiscal 2022.
- Impairment losses decreased 100.2 billion yen to 29.6 billion yen, as compared with fiscal 2022. This mainly reflected an impairment loss on goodwill of Hitachi Energy Ltd due to a sharp rise in the discount rate following the significant rise in interest rates, etc., and an impairment loss on goodwill due to the positioning of the on-premise ERP business as a non-focus area in the Digital Systems & Services segment.
- The net gain on business reorganization and others decreased 200.3 billion yen year on year to 97.0 billion yen due mainly to posting of net gain from the sale of shares of Hitachi Transport System, Ltd. and Hitachi Metals, Ltd. and the sale of part of our shares of Hitachi Construction Machinery Co., Ltd. in the same period of fiscal 2022 despite the gains on business reorganization by selling a part of shares of Hitachi Astemo, Ltd.
- Special termination benefits increased 10.1 billion yen to 19.4 billion yen, as compared with fiscal 2022.

Financial income (excluding interest income) increased 9.5 billion yen to 17.3 billion yen and financial expenses (excluding interest charges) decreased 10.4 billion yen to 10.0 billion yen, as compared with fiscal 2022.

Earnings before interest and taxes increased 12.3 billion yen to 857.9 billion yen, as compared with fiscal 2022.

Interest income increased 13.1 billion yen to 38.7 billion yen, as compared with fiscal 2022 and interest charges increased 19.6 billion yen to 70.9 billion yen, as compared with fiscal 2022.

Income before income taxes increased 5.8 billion yen to 825.8 billion yen, as compared with fiscal 2022.

Income taxes increased 82.9 billion yen to 199.0 billion yen as compared with fiscal 2022.

Net income decreased 77.1 billion yen to 626.7 billion yen, as compared with fiscal 2022.

Net income attributable to non-controlling interests decreased 17.8 billion yen to 36.8 billion yen, as compared with fiscal 2022.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders decreased 59.2 billion yen to 589.8 billion yen, as compared with fiscal 2022.

2) Operations by Segment

The following is an overview of earnings by segment. Effective from the fiscal year ended March 31, 2024, the Company reclassified its reportable segment in five segments: Digital Systems & Services, Green Energy & Mobility, Connective Industries, Automotive systems, and Others. Accordingly, the amounts previously reported for fiscal 2022 have been restated in conformity with the new segments. Revenues and Adjusted EBITA for the Business Management Reinforcement Division, which were previously included in Green Energy & Mobility segment, are included in Others segment from April 1, 2023. Accordingly, the amounts previously reported for the year ended March 31, 2023 have been restated in conformity with this change.

The numbers within each chart represent the results of the main businesses, etc. in each segment and revenues for each segment include intersegment transactions, so the sum of these numbers in some segments does not correspond to the total results in the segments.

(Digital Systems & Services)

Billions of yen	FY2023		YoY	
	Revenues	Adj. EBITA	Revenues	Adj. EBITA
Digital Systems & Services	2,598.6	333.4 12.8%	+9% [+6%] ^(Note 1)	+39.7 +0.5 pts
Front Business	1,111.2	123.8 11.1%	+13%	+29.5 +1.5 pts
IT Services	969.8	112.0 11.5%	+9%	+11.7 +0.2 pts
Services & Platforms ^(Note 2)	983.5	87.1 8.9%	+4%	+8.1 +0.6 pts
GlobalLogic (standalone) ^(Note 1)	255.1	49.9 19.6%	+23% [+15%]	+4.7 (2.2) pts

(Notes) 1. []: Estimated year-on-year changes excluding foreign exchange impact. For GlobalLogic, estimated year-on-year changes in US dollar base.

2. Revenues and Adjusted EBITA for Hitachi Consulting Japan, which were previously included in IT Services, are included in Services & Platforms from April 1, 2023. Accordingly, the amounts previously reported for fiscal 2022 have been restated in conformity with this change.

Revenues increased year on year due mainly to increased revenues in the Front business which handles large-scale system renovation projects in the financial, public, and energy fields and the strongly performing Lumada business and increased revenues in IT Services due to the solid performance of the Lumada business in security, cloud-related services, and services for manufacturing and distribution, as well as increased revenues in Services & Platforms due to the growth of GlobalLogic and the increase in domestic DX/cloud services.

Adjusted EBITA increased due mainly to an increase in revenues.

(Green Energy & Mobility)

Billions of yen	FY2023		YoY	
	Revenues	Adj. EBITA	Revenues	Adj. EBITA
Green Energy & Mobility	3,052.3	199.1 6.5%	+24% [+16%] ^(Note 1)	+35.6 (0.1) pts
Nuclear Energy & Hitachi Power Solutions	347.3	26.2 7.6%	+10%	(10.1) (3.9) pts
Nuclear Energy	171.1	-	±0%	-
Hitachi Power ^(Note 2) Solutions	118.9	-	+7%	-
Hitachi Energy (Standalone) ^(Note 3)	1,849.2	157.3 8.5%	+31%	+56.3 +1.4 pts
Related cost ^(Note 4)	-	(40.8)	-	(26.2)
Railway Systems (Exclude related cost) ^(Note 3)	856.1	65.5 7.7%	+16%	+17.9 +1.2 pts
Related cost ^(Note 4)	-	(1.5)	-	(1.5)

(Notes) 1. []: Estimated year-on-year changes excluding foreign exchange impact.

2. The Hitachi Power Solutions, which was previously included in the Energy business, is disclosed independently from April 1, 2024. Accordingly, the amounts previously reported for fiscal 2022 have been restated in conformity with this change.

3. The Hitachi Energy (Standalone) and Railway Systems (Exclude related cost) do not include the Related cost.

4. The Related cost includes PMI related costs associated with acquisition.

Revenues increased year on year due mainly to the increased revenues of Hitachi Energy Ltd, which are a result of a continued increase in the order backlog and steady sales turnaround, and increased revenues in Railway Systems resulting from the progress in large projects such as rolling stock and the maintenance business in Europe and the signalling business in North America, as well as in Hitachi Power Solutions thanks to the solid performance of green business and service businesses such as renewable energy solutions.

Adjusted EBITA increased year on year due mainly to an increase in revenues and improved efficiency through production investment in Hitachi Energy Ltd and improved profitability resulting from a better project mix and accelerated cost reduction in the Railway Systems despite cost increases associated with the acquisition of a power grids business including PMI-related costs and increases in costs for some projects in the Energy business.

(Connective Industries)

Billions of yen	FY2023		YoY	
	Revenues	Adj. EBITA	Revenues	Adj. EBITA
Connective Industries	3,057.9	320.6	+3%	+8.4
		10.5%	[+1%] ^(Note)	±0.0 pts
Building Systems	921.7	97.0	+3%	+13.4
		10.5%		+1.1 pts
Smart Life & Ecofriendly Systems (Hitachi GLS)	373.8	34.7	(5)%	(0.8)
		9.3%		+0.3 pts
Measurement & Analysis Systems (Hitachi High-Tech)	670.4	73.9	(1)%	(18.7)
		11.0%		(2.7) pts
Industrial Digital	370.6	42.3	+3%	+1.6
		11.4%		+0.1 pts
Water & Environment	212.0	21.7	+14%	+2.7
		10.3%		+0.1 pts
Industrial Products	487.2	54.9	+8%	+9.0
		11.3%		+1.1 pts

(Note) []: Estimated year-on-year changes excluding foreign exchange impact.

Revenues increased year on year due mainly to the strong results of Industrial Products, which performed well in the electrification business, the distribution transformer business, etc., and of Building Systems, which expanded the building services business. It was also due to the Water & Environment business, which performed well in air conditioning systems for the semiconductor and electronics industries in Japan despite decreased revenues in Smart Life & Ecofriendly Systems resulting from a decline in domestic demand for home appliances and in Measurement & Analysis Systems, which was a result of a decline in sales of semiconductor manufacturing equipment.

Adjusted EBITA increased year on year due mainly to increased revenues, despite sales decreasing in semiconductor manufacturing equipment in Measurement & Analysis Systems and an increase in R&D expenditures.

(Automotive Systems)

Revenues decreased 39% to 164.3 billion yen, as compared with fiscal 2022, due mainly to the conversion of Hitachi Astemo, Ltd., which was included in Automotive Systems segment, to an equity-method affiliate of the Company from its subsidiary as a result of selling a part of shares of Hitachi Astemo, Ltd. in October 2023.

Adjusted EBITA decreased 22.7 billion yen to 50.6 billion yen, as compared with fiscal 2022.

(Others)

Revenues increased 2% year on year to 507.7 billion yen, as compared with fiscal 2022.

Adjusted EBITA increased 21.9 billion yen to 6.7 billion yen, as compared with fiscal 2022.

3) Revenues by Geographic Area

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

Billions of yen	Japan	North America	Europe	Asia	Other areas	Overseas Revenues
Digital Systems & Services	1,731.2	344.4	235.4	227.9	59.6	867.4
YoY	+11%	+7%	+6%	(4)%	+12%	+4%
Green Energy & Mobility	426.0	665.0	1,009.2	466.5	485.3	2,626.2
YoY	±0%	+45%	+22%	+14%	+40%	+28%
Connective Industries	1,519.7	267.1	204.8	1,030.5	35.6	1,538.2
YoY	+3%	+3%	+2%	+4%	(6)%	+3%
Three segments	3,500.3	1,277.2	1,450.0	1,756.0	580.6	5,064.0
YoY	+8%	+22%	+16%	+5%	+32%	+15%
Ratio	41%	15%	17%	20%	7%	59%
Hitachi Astemo	273.0	305.6	100.8	395.5	89.3	891.3
YoY	(44)%	(33)%	(37)%	(43)%	(25)%	(38)%
Consolidated Total	3,773.3	1,582.9	1,550.8	2,151.5	669.9	5,955.3
YoY(Note)	(8)%	(16)%	+1%	(18)%	(6)%	(12)%
Ratio	39%	16%	16%	22%	7%	61%

(Note) The Consolidated Total is compared to the amount including the Hitachi Construction Machinery and Hitachi Metals.

Japan

Revenues in Japan decreased from fiscal 2022. This was due mainly to the decreased revenues owing to selling a part of shares of Hitachi Astemo, Ltd. The decrease was partially offset by increased revenues in Digital Systems & Services segment due to steady growth in the Front Business, and increased revenues in Connective Industries segment.

Overseas

Revenues in Overseas decreased compared with fiscal 2022, and the ratio to total revenues was 61%, a decline of 1% compared with fiscal 2022. Revenues in each area are as follows;

(North America)

Revenues in North America decreased from fiscal 2022, attributable mainly to decreased revenues due mainly to selling a part of shares of Hitachi Astemo, Ltd. The decrease was partially offset by increased revenues of power grids business in Green Energy & Mobility segment.

(Europe)

Revenues in Europe increased from fiscal 2022, due mainly to increased revenues of the power grids business and the railway systems business in Green Energy & Mobility segment. The increase was partially offset by decreased revenues due mainly to selling a part of shares of Hitachi Astemo, Ltd.

(Asia)

Revenues in Asia composed of China and ASEAN, India and other areas decreased from fiscal 2022, due mainly to decreased revenues resulting from selling a part of shares of Hitachi Astemo, Ltd. The decrease was partially offset by increased revenues of the power grids business and the railway systems business in Green Energy & Mobility segment.

(Other Areas)

Revenues in other areas decreased from fiscal 2022, due mainly to decreased revenues due mainly to selling a part of shares of Hitachi Astemo, Ltd. The decrease was partially offset by increased revenues of the power grids business in Green Energy & Mobility segment.

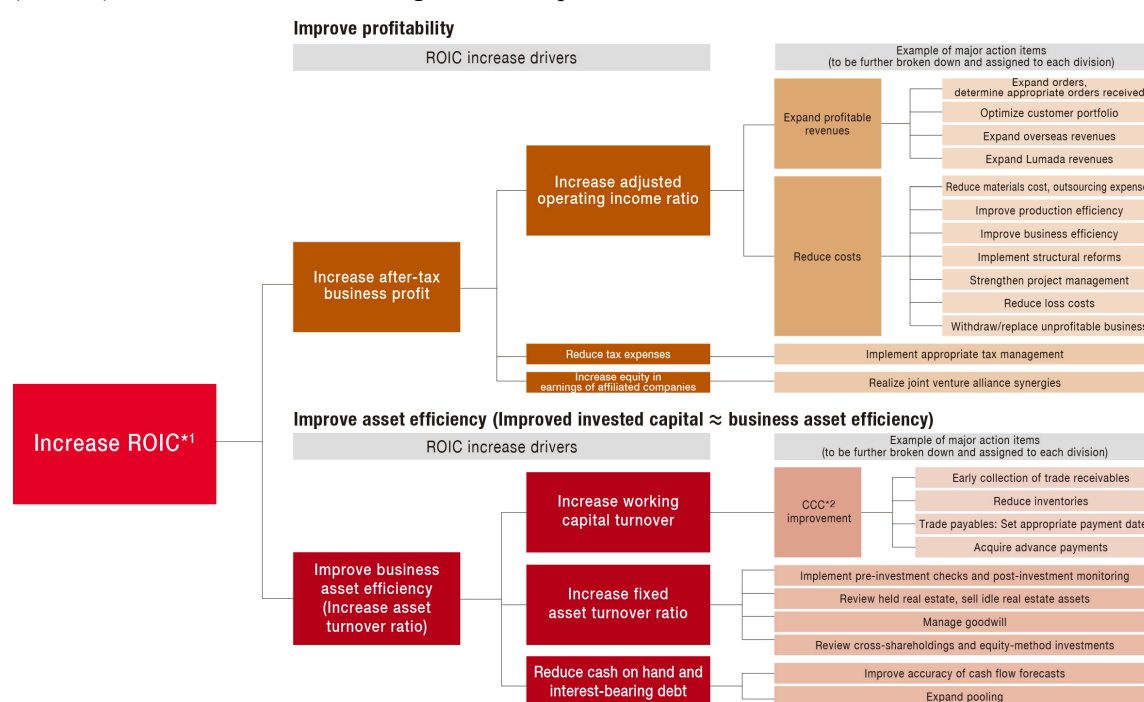
(3) Analysis of Financial Condition and Cash Flows

1) Liquidity and Capital Resources

Basic Policies for Financing Activities

We consider maintaining an appropriate level of liquidity and securing agile and efficient funds for current and future business operations to be important policies for our financing activities. Through the efficient management of working capital, we are working to optimize the efficiency of capital utilization throughout our business operations. We endeavor to improve our group cash management by centralizing this management for both ourselves and our overseas financial subsidiaries.

We introduced ROIC as a management indicator and are focusing on improving capital efficiency and the growth of highly profitable businesses through our management. ROIC is an indicator that evaluates returns generated by invested capital, and is calculated by dividing business profit after taxes by invested capital. To increase returns, ROIC needs to exceed the weighted average cost of capital (WACC), which is the cost of raising invested capital.



*1 ROIC = (NOPAT + Share of profits (losses) of investments accounted for using the equity method) / "Invested Capital" × 100

NOPAT (Net Operating Profit after Tax) = Adjusted operating income × (1 – Effective income tax rate), Invested Capital = Interest-bearing debt + Total equity

*2 CCC: Cash Conversion Cycle

In fiscal 2022, we changed the key indicator of profitability from the conventional adjusted operating income (presented as revenues less cost of sales as well as SG&A) to Adjusted EBITA (representing the operating income, adding back the amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting the share of profits (losses) of investments accounted for using the equity method).

We will aim for an Adjusted EBITA margin of 12% and an ROIC of 10% and ensure disciplined investment judgments using as our criteria the Adjusted EBITA margin and ROIC, which are also used for assessing business acquisitions, in an effort to further increase both profitability and the efficiency of business assets.

Trends in the Funding Demands

Our major uses of funds are M&A for growth, investment in human resources, capital investment, research and development (R&D) investment and shareholder returns. We plan to use cash income from core free cash flows and the sale of assets to maintain a good balance between investment in future growth and shareholder returns.

Major M&A, etc. are described in “V. Financial Statements - Notes to Consolidated Financial Statements - (5) Business Acquisitions and Divestitures.” The results and plan of the capital investments are described in “III. Property, Plants and Equipment.” The policy and results of shareholder returns are described in “IV. Information on the Company - 3. Dividend Policy.”

Capital Resources

Our internal sources of funds include cash flows generated by operating activities and cash and cash equivalents. Our management also considers short-term investments to be an immediately available source of funds. In addition, we raise funds in the capital markets in Japan and overseas by issuing bonds and equity and other capital securities and as well as through borrowings from financial institutions in response to our capital requirements. Our management's policy for capital investment and M&A is to finance capital expenditures primarily by internally generated funds and to a lesser extent by funds raised through the issuance of bonds and equity securities.

When procuring funds through borrowing, our financial discipline policy is to maintain the appropriate financial condition by considering financial indicators such as the D/E ratio and the interest-bearing debt/EBITDA ratio. In order to flexibly access funding, we registered our shelf registration with the maximum outstanding balance of 300.0 billion yen. In December 2023, we issued unsecured straight bonds, totaling 90 billion yen. The unsecured straight bonds are to refinance the short-term financing used to redeem the partial bonds issued in March 2020 among other things.

We maintain commitment line agreements with multiple financial institutions under which we may borrow in order to ensure efficient access to the necessary funds. These commitment line agreements generally provide for a one-year term, renewable upon mutual agreement between us and each of the lending banks, as well as another commitment line agreement with a contract term of three years ending on July 29, 2025. As of March 31, 2024, our unused commitment lines totaled 505.0 billion yen.

We receive debt ratings from Moody's Japan K.K. (Moody's), S&P Global Rating Japan Inc. (S&P), as well as Rating and Investment Information, Inc. (R&I). Our debt ratings as of March 31, 2024 were as follows.

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

With our current ratings, we believe that our access to the global capital markets will remain sufficient for our financing needs. We seek to maintain and improve our credit ratings.

2) Cash Flows

The following is a summary of cash flows in fiscal 2023.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was 956.6 billion yen plus in fiscal 2023, and cash increased by 129.5 billion yen compared with fiscal 2022. This was due mainly to an increase in net income excluding net gain (loss) on business reorganization and others, and an increase in advances received (contract liabilities).

(Cash Flows from Investing Activities)

Net cash used in investing activities was 131.5 billion yen minus in fiscal 2023, and cash decreased by 282.6 billion yen compared with fiscal 2022. This was due mainly to the sale of shares of Hitachi Construction Machinery Co., Ltd. and Hitachi Metals, Ltd. which were consolidated subsidiaries in fiscal 2022, and the sale of shares of Hitachi Transportation Technologies, Ltd. which was an equity method affiliate of the Company in fiscal 2022, despite the sale of investments in securities in fiscal 2023 and a decrease in investments to property, plant and equipment compared with fiscal 2022.

(Cash Flows from Financing Activities)

Net cash used in financing activities was 1,024.9 billion yen minus in fiscal 2023, and cash increased by 118.0 billion yen compared with fiscal 2022. This was due mainly to a decrease in acquisition of common stock for treasury compared with fiscal 2022 and the additional acquisition of Hitachi Energy Ltd shares in fiscal 2022, despite a decrease in net proceeds (difference between proceeds and expenditures) from short-term debt.

Free cash flow (the sum of cash flows from operating and investing activities) was 825.0 billion yen plus in fiscal 2023, and cash decreased by 153.0 billion yen compared with fiscal 2022.

Core free cash flow (free cash flows excluding cash flows from M&A and assets sales, etc.) was 571.4 billion yen plus in fiscal 2023, and cash increased by 155.0 billion yen compared with fiscal 2022.

As a result of the foregoing, cash and cash equivalents as of March 31, 2024, were 705.3 billion yen, decreased by 127.9 billion yen compared with March 31, 2023.

3) Assets, Liabilities and Equity

As of March 31, 2024, total assets amounted to 12,221.2 billion yen, a decrease of 280.1 billion yen from March 31, 2023. This was attributable to the conversion of Hitachi Astemo, Ltd. to an equity-method affiliate of the Company, which offset an increase in assets resulting from the impact of foreign exchange. Cash and cash equivalents as of March 31, 2024 amounted to 705.3 billion yen, a decrease of 127.9 billion yen from the amount as of March 31, 2023.

As of March 31, 2024, total interest-bearing debt, the sum of short-term debt and long-term debt including the current portion of long-term debt, amounted to 1,180.0 billion yen, a decrease of 1,033.3 billion yen from March 31, 2023. As of March 31, 2024, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to 37.8 billion yen, a decrease of 739.8 billion yen from March 31, 2023, due mainly to decrease in demand for funds as a result of the conversion of Hitachi Astemo, Ltd. to an equity-method affiliate of the Company. As of March 31, 2024, the current portion of long-term debt amounted to 187.4 billion yen, an increase of 45.6 million yen from March 31, 2023. As of March 31, 2024, long-term debt (excluding the current portion), consisting mainly of debentures, and loans principally from banks and insurance companies, amounted to 954.7 billion yen, a decrease of 339.1 billion yen from March 31, 2023, due mainly to the conversion of Hitachi Astemo, Ltd. to an equity-method affiliate of the Company.

As of March 31, 2024, total Hitachi, Ltd. stockholders' equity amounted to 5,703.7 billion yen, an increase of 760.8 billion yen from March 31, 2023. As a result, the ratio of total Hitachi, Ltd. stockholders' equity to total assets as of March 31, 2024 was 46.7%, compared with 39.5% as of March 31, 2023.

Non-controlling interests as of March 31, 2024 was 155.8 billion yen, a decrease of 236.8 billion yen from March 31, 2023.

Total equity as of March 31, 2024 was 5,859.6 billion yen, an increase of 524.0 billion yen from March 31, 2023. The ratio of interest-bearing debt to total equity was 0.20, a decrease of 0.21 point from March 31, 2023.

(4) Production, Order Received and Sales

The Hitachi Group does not present production and orders received in amount or volume terms for each segment since it produces and sells a wide variety of products, there are variety of specifications among the same kinds of products and certain products are mass-produced. The balance of unsatisfied performance obligations for those segments that have contracts under which revenues are recognized over a long period of time is described in "Consolidated Financial Statements — Notes to V. Financial Information—Notes to Consolidated Financial Statements — (20) Revenues. Sales are shown in relation to the results of each segment in "(2) Analysis of Results of Operations."

(5) Important Accounting Policies and Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management considers certain accounting estimates to be critical, and recognizes that given their significance to the financial statements and the possibility that future events affecting the estimate may differ significantly from management's current assumptions could have a material impact on the presentation of our financial situation, on changes in our financial situation or on our earnings. There are two reasons for this recognition. First, the estimates require us to make assumptions about matters that are highly uncertain

at the time the accounting estimates are made. Second, there could be different estimates that we reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur as time proceeds. Important accounting policies that require management to make estimates and assumptions are as follows.

Allowance for doubtful receivables

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

Details of the evaluation of Allowance for doubtful receivables are described in "Consolidated Financial Statements — Notes to Consolidated Financial Statements — (3) Summary of Material Accounting Policies — (d) Financial Instruments." Details of the increase or decrease in the Allowance for doubtful receivables are described in "Consolidated Financial Statements — Notes to Consolidated Financial Statements — (25) Financial Instruments and Related Disclosures — (b) Financial Risks — (iii) Credit Risk."

Estimates, Fluctuations in Cost and Cancellation of Long-term Projects

We enter into a substantial number of long-term projects, particularly in connection with the construction of infrastructure systems. For a project in which control of products and service is transferred over a specified period of time, we measure its progress towards complete satisfaction of that performance obligation based on the costs incurred, or the period of services being provided in consideration of the nature of the goods and services for the purpose of recognizing revenue. When we cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred. The revenue recognition for such long-term projects requires us to make significant assumptions about the estimated total cost, estimated total selling price, contract risks and other factors. However, these estimates are subject to change. We regularly review these estimates and adjust them as we deem necessary. We charge any anticipated losses on fixed price contracts to operations when we are able to estimate such losses. While we employ our best judgment based on available information, these estimates are subject to change. Fluctuations in costs can occur for a variety of reasons, many of which are beyond our control. In addition, we or our counterparties may cancel these contracts. These factors would require us to revise our initial assumptions regarding a particular contract, and may adversely affect our business, financial situation and earnings.

Business Combinations

Business combinations are accounted for using the acquisition method. In addition to tangible assets of the acquiree, intangible assets such as technologies, brands, and customer lists are valued at fair value. In these valuations, estimates are made based on appropriate assumptions and future projections according to each case. Independent external experts are usually involved in the valuation process, but significant estimates and assumptions in the valuation include inherent uncertainty. We consider the estimates of the key assumptions to be reasonable, but actual results may differ.

Impairment of Assets

We review the carrying amounts of assets that we own and use whenever events or changes in

circumstances indicate that the carrying amounts may be unrecoverable, to determine whether there is any indication of impairment. If the carrying amount of an asset is judged to be impaired, the amount that exceeds the recoverable amount is recognized as an impairment loss. We measure the recoverable amount of an asset or a CGU (or a group of CGUs) as the higher of fair value less the cost of disposal and value in use.

In measuring fair values, we primarily use the income approach (present value technique) based on the estimated future cash flows expected to result from the use of the asset and its eventual disposal or the market approach to derive reasonable estimates of values in orderly market transactions, such as comparisons of similar public companies and the current gross value of the asset. Value in use is calculated using the estimated future cash flows based on business plans approved by management, discounted at the discount rate, which is derived from the weighted average cost of capital. It is based on certain assumptions that are considered reasonable as of the filing date of this report, but actual results may differ significantly depending on market risks, business environment risks, and other factors. The discount rate used to calculate the value in use is affected by stock market trends and interest rate fluctuations. We believe that the estimates of future cash flows and value in use are reasonable, but changes in estimates resulting from unpredictable changes in the business environment that lead to decreases in future cash flows or value in use can adversely affect the valuation of assets. We appropriately employ external experts depending on the complexity of calculating fair value and value in use.

Goodwill is the source of excess earning power based on the market competitiveness acquired through business acquisition, and the difference between the net assets of the acquiree and the consideration for acquisition is recorded as goodwill except for the amount recorded as intangible assets, etc. Goodwill is not amortized in accordance with IFRS. Irrespective of any indicators of impairment, we test assets for impairment annually, mainly in the fourth quarter, by estimating the recoverable amount of each CGU or a group of CGUs to which such assets are allocated. We continuously monitor the comparison between the initial estimate and the most recent estimate, and conduct impairment tests if there are signs that the value will fall below the original estimate and the carrying amount will not be recoverable, due to changes in events or circumstances such as in business strategies or in the market environment. Such changes in the events or circumstances include crises in the global economy and financial markets, and if the carrying amount of each CGU or a group of CGUs to which such assets are allocated exceeds the recoverable amount, the excess amount is recognized as an impairment loss.

The breakdowns of impairment and goodwill by segment are described in “V. Financial Information — Notes to Consolidated Financial Statements — (4) Segment Information.” The main content is described in “V. Financial Information — Notes to Consolidated Financial Statements — (9) Property, Plant and Equipment and (10) Goodwill and Other Intangible Assets.”

Deferred Tax Assets

Deferred tax assets are the amounts of taxes that will be recovered in future periods. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Although realization is not assured, we consider the scheduled reversals of deferred tax liabilities and projected future taxable income when assessing realizability. The outlook for future performance, which is the basis for estimating future taxable income, may differ from actual performance due to unforeseen events such as economic trends, supply and demand trends in markets, sales prices of products and services, procurement prices of raw materials and parts, fluctuations in exchange rates, and rapid technological innovations, and may be corrected in the future. As a result, the amounts of deferred tax assets that are determined to be recognizable may be adversely affected. The realizability of deferred tax assets is evaluated for each tax payment in each tax jurisdiction, and even if running similar businesses, the evaluations can differ depending on the product and the tax jurisdiction. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Based on these factors, we consider it is more likely than not it will realize the benefits of these deductible differences as of March 31, 2024. However, the actual times and amounts of taxable income occurrence may differ from the estimates.

Employee Retirement Benefits

We have a significant amount of employee retirement benefit costs that we derive from actuarial valuations based on a number of assumptions. Inherent in these valuations are a number of actuarial assumptions used in estimating employee retirement benefit costs including mortality, withdrawal and retirement rates, changes in wages and the discount rate. We are required to make judgments regarding the actuarial assumptions by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Although management believes that its actuarial assumptions are reasonable in light of the various underlying factors, there can be no assurance that the actuarial assumptions will correspond to actual results. If our actuarial assumptions differ from actual results, the consequent deviation of actual employee retirement benefit costs from estimated costs may have an adverse effect on our financial situation and earnings. A decrease in the discount rate may result in an increase in the amount of projected benefit obligations. In addition, we may change these actuarial assumptions, such as the discount rate. Changes in actuarial assumptions may also have an adverse effect on our financial situation and earnings. Details of the evaluation of employee retirement benefits are described in “V. Financial Information — Notes to Consolidated Financial Statements — (3) Summary of Significant Accounting Policies — (k) Retirement and Severance Benefits.”

(6) Forward-Looking Statements

Certain statements found in “1. Management Policy, Economic Environment and Challenges Hitachi Group Faces,” “2. Sustainability Approach and Initiatives,” “3. Risks Factors” and “4. Management’s Discussion and Analysis of Consolidated Financial Condition, Results of Operations 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, 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;
- credit conditions of Hitachi’s customers and suppliers;
- 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 Hitachi’s ability to response to tightening of regulations to prevent climate change
- 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;
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel;
- 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;
- 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;
- estimates, fluctuations in cost and cancellation of long-term projects for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- increased commoditization of and intensifying price competition for products;
- fluctuations in demand of products, etc. and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in demand of products, etc., exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to the success of cost structure overhaul;
- 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;
- 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;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property; 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.

5. Material Agreements, etc.

(1) Absorption-type Company Split

The Company decided that it would conduct an absorption-type company split (the “Company Split”) under which Hitachi Vantara, Ltd., a newly established company, would succeed to the Company’s IT Products business in order to reorganize the IT product business which has been responsible for business development, research and development, and production of data infrastructure in Japan on October 27, 2023, and entered into an absorption-type company split agreement with Hitachi Vantara, Ltd. on January 26, 2024.

The details of the Company Split are as follows.

1) Company Split Method

The split is an absorption-type split under which the Company will be the splitting company and Hitachi Vantara, Ltd. will be the succeeding company.

2) Effective Date of the Company Split

April 1, 2024

3) Assets and liabilities succeeded for the Company Split (As of April 1, 2024 (forecast))

Assets: 93.5 billion yen

Liabilities: 49.6 billion yen

4) Details of Allotments Related to the Company Split

Hitachi Vantara, Ltd. will issue 199,000 ordinary shares upon the Company Split and allot all of the shares to the Company.

5) Calculation Basis Concerning Allotment under the Company Split

As the Company holds all of the issued shares of Hitachi Vantara, Ltd. it is considered appropriate that Hitachi Vantara, Ltd. issue 199,000 shares of common stock and allots all the shares to the Company.

6) Profile of the succeeding company after the Company Split

Name	Hitachi Vantara, Ltd.
Head office	292 Yoshida-cho, Totsuka-ku, Yokohama City, Kanagawa Prefecture
Representative	President Akinobu Shimada
Capital	10 billion yen
Business	Design and development of data infrastructure products centered on storage, data management software, hybrid cloud infrastructure and related services and sales, operation, monitoring and maintenance in Japan

(2) Cross License Agreement

The material contract renewed during the three months ended March 31, 2024 is as follows.

Party	Party	Country	Item under contract	Contract description	Contract period
Hitachi, Ltd. (The Company)	International Business Machines Corp.	U.S.A.	Information handling systems	Cross license of patents	From January 1, 2008 to the expiration of patents applied on or before January 1, 2028
Hitachi, Ltd. (The Company)	HP Inc. Hewlett Packard Enterprise Company	U.S.A.	All products and services	Cross license of patents	From March 31, 2010 to the expiration of patents applied on or before December 31, 2014
Hitachi, Ltd. (The Company)	EMC Corporation	U.S.A.	Information handling systems	Cross license of patents	From January 1, 2003 to the expiration of patents applied on or before December 31, 2007
Hitachi-GE Nuclear Energy, Ltd. (Consolidated subsidiary)	GE-Hitachi Nuclear Energy Americas LLC	U.S.A.	Nuclear reactor systems	Cross license of patents and technology	From October 30, 1991 to June 30, 2024

6. Research and Development

(1) Research goals and major issues

The Hitachi Group (Hitachi Ltd. and its consolidated subsidiaries) aims to further evolve its Social Innovation Business with Digital, Green and Innovation as growth drivers. The Hitachi Group has set “Strengthen initiatives to create innovation with digital and green contributing to global growth” as the R&D mission of the Hitachi Group. By allocating R&D resources to prioritize innovations that revolutionize the customer experience and capture the essential issues facing society, and striving to solve the social issues its customers face, the Hitachi Group aims to maintain a society that does not exceed planetary boundaries, in balance with ensuring the wellbeing of each people, and achieve sustainable business growth.

To increase the competitiveness of the Hitachi Group’s business activities and achieve future growth, the Hitachi Group is developing growth scenarios for its customers by giving shape to the Lumada Growth Cycle and realizing customer experience-driven DX (digital transformation) and GX (green transformation) through One Hitachi. The Hitachi Group is also driving the creation of Lumada innovations based on the back-casting of corporate R&D from further in the future within a global framework. To this end, the Hitachi Group is expanding its digital technology base and strengthening its overseas research resources. The Hitachi Group will also accelerate the evolution of the Social Innovation Business in collaboration with Hitachi Digital, “the Global Environment Business Group”, “Environmental Strategy Planning Office” and “Innovation Growth Strategy Division”, which lead the growth strategy across the Group.

(2) Research and development scheme

The Hitachi Group is striving to improve the efficiency of R&D through close coordination between the R&D divisions of the Company and those of its group companies. In addition to collaborations with universities and research institutions in Japan and overseas, in April 2019 the R&D Group Kokubunji Site opened the “*Kyōsō-no-Mori*” R&D center, to accelerate open collaborative creation with customers and partners. The Corporate Venturing Office was established at the same time, and through three funds that have been formed so far, the Hitachi Group has invested in more than 30 startup companies, providing value to its customers while supporting the growth of each company through collaboration with Hitachi Group’s businesses, and contributing to DX, decarbonization and wellbeing in the process.

To accelerate global growth through the Social Innovation Business, the Hitachi Group reorganized its R&D Group in April 2022. The Global Center for Social Innovation, which has been responsible for the development of value-driven innovations in tandem with the Hitachi Group’s front-line operations, and the Technology Innovation Center, which has been responsible for the development of world-leading technologies supporting value creation, have been integrated into the Center for Digital Services and the Center for Sustainability, to strengthen value creation through DX and GX. The Center for Exploratory Research, which is responsible for setting the stage for the future, together with the Hitachi Group’s overseas R&D centers in North America, Europe, China, Asia, and India, the Hitachi Group is working together to innovate on a global scale.

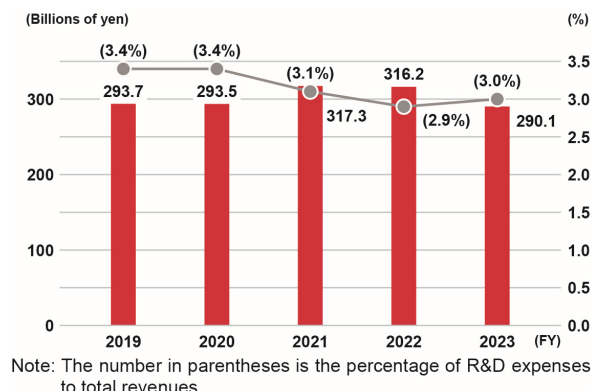
(3) Investment in Innovation

To enable the Hitachi Group to achieve further growth, the Hitachi Group will increase its investment in innovation groupwide. The third fund of corporate venturing investment was formed in April 2023 with a size of \$300 million, which is twice the size of the first and second funds established previously. We will make strategic investments in startups driving the latest digital trends including Web3 and generative AI technologies. In addition, the Hitachi Group will invest a cumulative 100 billion yen in cutting-edge research over the three-year period of the Mid-term Management Plan 2024. Through these investments, the Hitachi Group aims to create disruptive innovations to solve future social issues and contribute to the Hitachi Group’s growth by achieving the Lumada growth cycle.

(4) R&D expenditures

The Hitachi Group's R&D expenditures for the fiscal year ended March 31, 2024 were 290.1 billion yen, 3.0% of revenues. R&D expenses by segment and R&D expenses trends are shown below.

(Billions of yen)	
Segment	Fiscal Year ended March 31, 2024
Digital Systems & Services	54.1
Green Energy & Mobility	65.2
Connective Industries	91.0
Automotive Systems	50.6
Others	3.0
Corporate items & Eliminations	25.9
Total	290.1

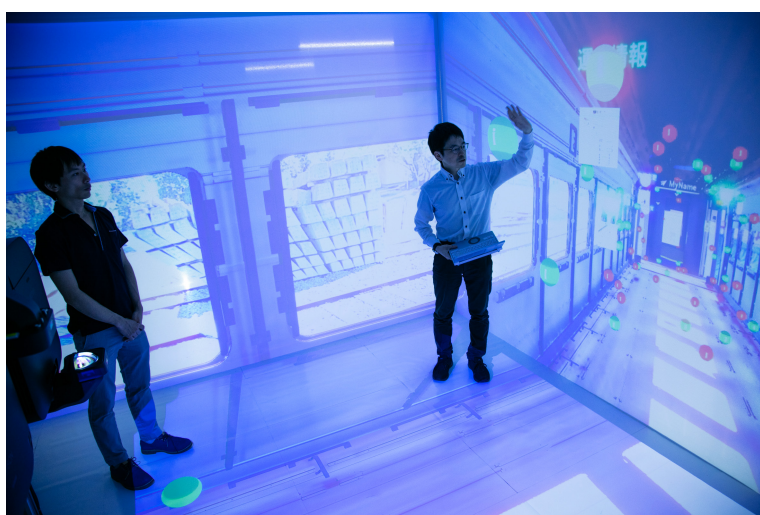


(5) R&D achievements

Notable R&D achievements in the fiscal year ended March 31, 2024 are as follows.

- 1) Development of Worksite-Augmenting Metaverse, a fusion of worksite data-collection technology and generative AI (Digital Systems & Services segment, Green Energy & Mobility segment and Connective Industries segment)

The Company developed Worksite-Augmenting Metaverse for applications in industrial sectors, a metaverse technology to expedite worksite operations and improve information sharing and consensus building between stakeholders off-site (design, quality assurance, management, etc.) and on-site (construction, manufacturing, etc.) on construction, manufacturing, and maintenance worksites in the energy and transportation sectors. Leveraging its accumulated expertise in the development of digital solutions for diverse industrial fields, the Company has established a metaverse space where worksites can be rapidly replicated using simplified 3D scanning technology as a platform for accumulating and visualizing associated data using AI technologies including generative AI, which allows even customers who are unfamiliar with digital technologies to efficiently utilize data. The Hitachi Group will contribute to the sustainable operation and management of social infrastructure globally by improving worksite efficiency.



Inside a railway vehicle reproduced in the metaverse

- 2) Development of FloodS, the Ministry of the Environment’s web service for developing countries to rapidly simulate flood risks associated with climate change (Digital Systems & Services segment)

In partnership with the Ministry of the Environment, the Company developed FloodS, a flood forecasting web service which was designed for developing countries and regions in the Asia-Pacific region and other countries and regions. On November 30, 2023, the Ministry of the Environment began providing the service free of charge. This service, which quickly simulates changes in inundation due to river flooding, rainfall and storm surges over time and displays the forecast results on a map in a web browser, was introduced at the Japan Pavilion at the 28th session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP28). The Hitachi Group will continue to support the achievement of the Sustainable Development Goals (SDGs) and the strengthening of the resilience of social infrastructure, such as the enhancement of its adaptability to the intensification and increased frequency of disasters associated with climate change, through international cooperation in public-private partnerships leveraging its digital technologies.

- 3) New limited express Series N100 SPACIA X won the iF Design Award 2024 and the Good Design Award 2023. (Green Energy & Mobility segment)

N100 SPACIA X (hereinafter “SPACIA X”) won an iF Design Award 2024, sponsored by iF international Forum Design GmbH and a Good Design Award 2023, sponsored by the Japan Institute of Design Promotion. Launched on July 15, 2023 as a new limited express train connecting Asakusa to the Nikko and Kinugawa Onsen areas, SPACIA X was built on the “connect & updatable.” concept. Guided by this concept, SPACIA X has been manufactured with the aim of being a more advanced and high-quality flagship limited express train that maintains and continues the tradition and brand image established by the conventional Series 100 SPACIA. In addition to adopting a design that incorporates the cultural colors and shapes of the sightseeing spots along the line, including the color of the cars and their interior lighting, SPACIA X is available in six seating variations, including a cockpit lounge and cockpit suite, to meet diverse needs. This time, these awards are presented in recognition of this design. (jointly awarded with TOBU RAILWAY CO., LTD.)



SPACIA X exterior



Cockpit Suite



Cockpit Lounge

SPACIA
X
Tobu Limited Express

SPACIA X logo

- 4) Launch of a high-capacity multi-port EV charger that contributes to the expansion of charging infrastructure and the growth of EVs towards the realization of a decarbonized society (Connective Industries segment)

Hitachi Industrial Products, Ltd. launched a large-capacity multi-port EV charger that enables the fast charging of electric vehicles (EV) in October 2023. This multi-port EV charger is equipped with EV

charging technology developed by the Hitachi Group. Increasing the number of vehicles that can be charged simultaneously by this large capacity multi-port EV charger makes it possible to shorten the charging time and eliminate the charging congestion. Bidirectional charge/discharge control technology enables the elimination of grid congestion without the need for grid reinforcement to increase the amount of connected renewable energy sources and to stabilize voltage control. In addition, high-efficiency power conversion technology maximizes the potential of EVs as distributed energy resources. The Hitachi Group contributes to the realization of a decarbonized society through cooperation within the group.



Multi-port EV charger

- 5) Launch of the GT2000 high-precision electron beam metrology system to meet needs related to semiconductor device development and mass production in the high-NA EUV era (Connective Industries segment)

Hitachi High-Tech Corporation announced the launch of its GT2000 high-precision electron beam metrology system on December 12, 2023. The GT2000 uses Hitachi High-Tech's technology and expertise in CD-SEM (Note 1), where it has the largest share of the market. The GT2000 is equipped with new detection systems to cutting-edge 3D semiconductor devices. It also utilizes low-damage high-speed multi-point measurement functions for High-NA EUV (Note 2) resist wafers imaging to minimize resist damage and improve yield in mass production. Through research and development within the Hitachi Group, the Hitachi Group meets clients' diverse needs and contributes to cutting edge manufacturing.

- (Notes) 1. CD-SEM (Critical Dimension-Scanning Electron Microscope): An equipment designed to perform high-precision measurement of the dimensions of fine semiconductor circuit patterns formed on wafers.
2. High-NA (Numerical Aperture) EUV (Extreme Ultraviolet): Extreme ultraviolet (13.5 nm wavelength) lithography equipment with an improved numerical aperture compared to conventional equipment.



GT2000, a high-precision electron beam metrology system

6) Initiatives for solving social issues and building an ecosystem through open innovation (Corporate Items).

In order to solve social issues in the future, the Company worked to develop cutting-edge technologies and build an ecosystem through open innovation.

(i) Silicon quantum computer

Quantum computers are expected to be a new conceptual computing technology that can solve problems that cannot be solved by conventional computers. In addition to basic research on quantum physics at Hitachi Cambridge Laboratory, which has more than 30 years of history, the Company has been working with academia since 2020 through the Japan Science and Technology Agency's Moonshot Research & Development Program (grant number JPMJMS2065) to promote research on silicon quantum computers, which have an advantage in large-scale quantum computing. In fiscal 2023, the Company proposed the shuttling qubit, which is able to control quantum dots efficiently, verified its effect and began joint research with National Institutes of the Natural Sciences Institute for Molecular Science on quantum operating systems, with the aim of accelerating research toward large-scale integration and early commercialization of quantum computers.

(ii) Hitachi-AIST Circular Economy Cooperative Research Laboratory first open forum

Action is increasingly being taken to achieve global sustainability by making the most of finite resources, including through recycling and reuse along with the growing adoption of renewable energy sources around the world. Since its establishment by the Company and the National Institute of Advanced Industrial Science and Technology in October 2022, the Hitachi-AIST Circular Economy Cooperative Research Laboratory has been engaged in research aimed at achieving such a society. The first open forum held in February 2024 addressed the questions of what a circular economy might look like in 2050 and the technological and institutional challenges to its achievement, debating these topics in the light of how this transition is progressing in Japan and elsewhere and the research being done at the laboratory.

(iii) Co-hosting an Open forum of The Institute for the Research Promotion Organization for Digital Observatory (Corporate Items)

The Institute for the Research Promotion Organization for Digital Observatory, established at National University Corporation, the University of Tokyo (Hereinafter "The University of Tokyo"), held an inaugural forum on October 10, 2023. The institute was established for the purpose of understanding, detecting and avoiding social risks through data observation and the utilization of diverse social and economic activities and the realization of a resilient society. Through the Institute, the Company and the University of Tokyo jointly promote two research groups. At the forum, the two discussed how industry, academia and government should work together to realize a resilient society in 2050, and discussed ways to resolve issues through dialogue.

(iv) H-UTokyo Lab. held joint workshop with Imperial College London

On November 2, 2023, representatives of H-UTokyo Lab. (Hitachi and the University of Tokyo's joint research laboratory) and Imperial College London (Hereinafter "ICL") discussed the future of energy systems and how international cooperation should be conducted. In May 2023, the University of Tokyo and ICL concluded a letter of intent to establish a strategic relationship on the creation of decarbonization and cleantech technologies in the presence of the Company. This workshop is the first step in specific efforts to strengthen this cooperation. In the panel discussion, the two discussed pressing institutional and technological issues based on the respective positions of Japan and the United Kingdom on the future introduction of renewable energy, as well as international issues related to the transition to carbon neutrality and how to cooperate.

III. Property, Plants and Equipment

1. Summary of Capital Investment, etc.

The Hitachi Group (the Company and consolidated subsidiaries) selectively invests in R&D and product fields expected to grow over the long term, and it also invests to streamline manufacturing process, etc. and to improve the reliability of its products and services.

Capital investment (based on the amount recorded as tangible fixed assets and the investment property) in the fiscal year ended March 31, 2024 was 315.8 billion yen. A breakdown of capital investment by segment is as follows.

Segment	Capital investment (Billions of yen)	Change from preceding fiscal year (%)	Main purpose of investment
Digital Systems & Services	67.8	104	Product development, Maintenance and renewal of Data center equipment
Green Energy & Mobility	114.9	159	Facility of production for power grid products, Facility of production for railway systems
Connective Industries	63.8	104	Manufacturing facilities for industrial products, Increase in development and production of semiconductor manufacturing equipment, and measurement and analysis equipment, Facility of production for building systems, Streamline development and production of other products
Automotive Systems	51.2	77	Increase in production of automotive equipment
Others	21.0	99	Renovation of offices, R&D facilities
Corporate Items & Eliminations	(3.0)	-	-
Total	315.8	90	-

(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 tangible fixed assets and other non-current assets, respectively.

2. These investments were mostly financed by the Hitachi Group's own capital.

2. Major Property, Plants and Equipment

The Hitachi Group (the Company and consolidated subsidiaries) engages in diverse business operations in Japan and overseas. It discloses information on major property, plants and equipment represented in breakdown by segment and major facilities of the Company and consolidated subsidiaries.

The situation at the end of the fiscal year ended March 31, 2024 is as follows.

(1) Breakdown by Segment

(As of March 31, 2024)

Segment	Book value (Millions of yen)								Number of employees
	Land [Area in thousands of m ²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Constructio n in progress	Total	
Digital Systems & Services	7,057 [694]	59,964	37,760	48,185	90,391	13,084	2,431	258,872	106,839
Green Energy & Mobility	35,892 [8,673]	141,764	138,766	27,590	63,816	35	74,257	482,120	65,398
Connective Industries	37,142 [5,021]	152,452	62,972	43,799	44,709	49	18,480	359,603	81,514
Automotive Systems	- [-]	-	-	-	-	-	-	-	-
Others	18,742 [1,400]	50,750	2,822	9,570	32,209	-	953	115,046	11,589
Subtotal	98,833 [15,788]	404,930	242,320	129,144	231,125	13,168	96,121	1,215,641	265,340
Corporate Items & Eliminations	(10,384) [866]	18,819	152	3,769	(6,229)	-	74	6,201	3,315
Total	88,449 [16,654]	423,749	242,472	132,913	224,896	13,168	96,195	1,221,842	268,655

(2) The Company

(As of March 31, 2024)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m ²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of- use Assets	Other	Construction in progress	Total	
Financial Institutions Business Unit, Social Infrastructure Systems Business Unit and Digital Systems & Services Division (Kawasaki, Kanagawa)	Digital Systems & Services	System development facilities, manufacturing facilities for servers, etc.	607 [40]	29,076	192	20,635	21,409	8,692	839	81,453	12,194
Head Office (Chiyoda-ku, Tokyo)	Corporate	Other facilities	5,001 [813]	9,783	148	1,957	12,129	-	5	29,025	1,291
Research & Development Group (Kokubunji, Tokyo)	Others	R&D facilities	4,540 [763]	17,742	1,041	3,070	1,299	-	111	27,805	2,150
Railway Systems Business Unit (Kudamatsu, Yamaguchi)	Green Energy & Mobility	Manufacturing facilities for railway vehicles, etc.	1,013 [658]	13,383	4,963	652	3,685	-	271	23,969	2,556
Nuclear Energy Business Unit and Energy Business Unit (Hitachi, Ibaraki)	Green Energy & Mobility	Manufacturing facilities for power generating equipment, etc.	9,137 [3,029]	5,198	30	736	1,221	-	7	16,331	1,001
Services & Platforms Business Unit (Hitachi, Ibaraki)	Digital Systems & Services	Manufacturing facilities for industrial machinery and plants, switchboards and calculation control equipment, system development facilities	521 [202]	6,639	743	2,048	1,354	0	268	11,576	3,110
Corporate Hospital Group (Hitachi, Ibaraki)	Corporate	Medical facilities	63 [53]	9,851	2	1,417	24	-	69	11,429	1,826
IT Strategy & Digital Integration Division (Chiyoda-ku, Tokyo)	Others	System development facilities	- [-]	1,447	0	4,167	11	-	42	5,668	451
Building Systems Business Unit (Hitachinaka, Ibaraki)	Connective Industries	Facility of production for building systems	43 [476]	3,036	71	32	-	-	9	3,193	68
Industry & Distribution Business Unit and Water & Environment Business Unit (Chiyoda-ku, Tokyo)	Connective Industries	Manufacturing facilities for industrial solution, and water and environment solution equipment	38 [13]	119	0	2,193	234	-	336	2,923	2,596

(3) Domestic subsidiaries

(As of March 31, 2024)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m ²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of- use Assets	Other	Construction in progress	Total	
Hitachi High-Tech Corporation, Naka Area (Hitachinaka, Ibaraki)	Connective Industries	Manufacturing facilities for semiconductor manufacturing equipment and measurement and analysis equipment, etc.	4,980 [334]	25,927	7,699	15,188	730	-	1,152	55,678	3,451
Hitachi Global Life Solutions, Inc., Taga Works (Hitachi, Ibaraki)	Connective Industries	Manufacturing facilities for home appliances	296 [628]	4,664	5,054	5,060	35	-	736	15,847	1,097
Hitachi High-Tech Corporation, Kasado Area (Kudamatsu, Yamaguchi)	Connective Industries	Manufacturing facilities for semiconductor manufacturing equipment, etc.	321 [15]	3,000	5,249	1,700	1,937	-	828	13,037	619
Hitachi Building Systems Co., Ltd., Head Office (Chiyoda-ku, Tokyo)	Connective Industries	Other facilities	3,952 [22]	5,347	312	1,348	-	-	136	11,098	1,543
Hitachi Real Estate Partners, Ltd., Hitachi Rectship Totsuka (Yokohama, Kanagawa)	Others	Rent office	- [-]	10,426	18	198	-	-	-	10,642	-
Hitachi Information Engineering, Ltd., Systemplaza Yokohama (Yokohama, Kanagawa)	Digital Systems & Services	Data center	- [-]	5,203	-	80	4,634	-	1	9,920	32
Hitachi Global Life Solutions, Inc., Tochigi Works (Tochigi, Tochigi)	Connective Industries	Manufacturing facilities for home appliances	112 [889]	3,978	2,341	1,821	3	-	152	8,411	631
Hitachi Industrial Equipment Systems Co., Ltd., Sagami Business Office (Ayase, Kanagawa)	Connective Industries	Manufacturing facilities for air compressor systems, etc.	3,176 [87]	2,295	1,002	177	-	-	51	6,701	301
Hitachi Property and Service, Ltd., Sea Mark Square (Hitachi, Ibaraki)	Others	Store building, etc.	- [-]	4,466	50	12	-	-	-	4,531	-
Hitachi Systems, Ltd., Shonan Office (Nakai, Kanagawa)	Digital Systems & Services	Office and data center, etc.	1,002 [26]	2,681	-	667	-	-	-	4,350	189

(4) Overseas subsidiaries

(As of March 31, 2024)

Subsidiary (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m ²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of- use Assets	Other	Construction in progress	Total	
Hitachi Energy Ltd (Zurich, Switzerland)	Green Energy & Mobility	Manufacturing facilities for power grid products, etc.	19,452 [3,642]	91,751	120,272	17,484	50,543	-	60,310	359,812	44,811
Hitachi Vantara LLC (California, U.S.A.)	Digital Systems & Services	Other facilities	- [-]	-	17,429	15,259	18,515	1,607	-	52,810	12,987
Hitachi Payment Services Private Limited (Chennai, India)	Digital Systems & Services	Other facilities	- [-]	-	11,901	434	13,440	-	444	26,219	12,354
GlobalLogic Worldwide Holdings, Inc. (California, U.S.A.)	Digital Systems & Services	Other facilities	- [-]	1,834	2,937	973	16,335	-	36	22,115	31,440
Hitachi Elevator (China) Co., Ltd. (Guangzhou, China)	Connective Industries	Facility of production for building systems	- [-]	7,473	1,495	1,672	1,382	-	3,210	15,232	25,018

(Note) The figures above are presented in consolidated basis of each company.

3. 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 fiscal year. Therefore, it discloses amounts of capital investment by segment.

The amount of capital investment for the fiscal year ending March 31, 2025 is expected to be 360.0 billion yen (new installation and expansions, based on the amount recorded as tangible fixed assets and the investment property), and a breakdown by segment is as follows.

Segment	Amount (Billions of yen)	Main purpose of investment
Digital Systems & Services	70.0	Product development, Data center maintenance and updates
Green Energy & Mobility	157.0	Facility of production for power grid products, Facility of production for railway systems
Connective Industries	100.0	Manufacturing facilities for industrial products, Increase in development and production of semiconductor manufacturing equipment, and measurement and analysis equipment, Facility of production for building systems, Streamline development and production of other products
Others	17.0	Renovation of offices, R&D facilities
Corporate Items & Eliminations	16.0	-
Total	360.0	-

- (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 tangible fixed assets 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 of or sell principal facilities, with the exception of disposing of and selling facilities due to routine upgrading.

IV. 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 fiscal year (shares) (March 31, 2024)	Number of shares issued as of the filing date (shares) (Note) (June 21, 2024)	Stock exchange on which the Company is listed	Description
Common stock	927,167,877	927,313,877	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	927,167,877	927,313,877	—	—

(Note) The Company newly issued 146,000 shares as restricted stock compensation on June 3, 2024. The “Number of shares issued as of the filing date” does not include shares issued upon the exercise of stock acquisition rights from June 1, 2024 to the filing date.

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

1) Details of stock option plans

Name	The First Stock Acquisition Rights of Hitachi, Ltd. (Note 1)	The Second Stock Acquisition Rights of Hitachi, Ltd. (Note 1)	The Third Stock Acquisition Rights of Hitachi, Ltd. (Note 1)
Date of resolution	June 29, 2016	April 6, 2017	April 11, 2018
Category and number of persons to whom stock acquisition rights are granted	31 Executive Officers of the Company 42 Corporate Officers of the Company	33 Executive Officers of the Company 37 Corporate Officers of the Company	33 Executive Officers of the Company 35 Corporate Officers of the Company
Number of stock acquisition rights	5,994 [4,660]	6,508 [4,618]	6,879 [4,593]
Class, detail and number of shares to be issued upon exercise of stock acquisition rights	Common stock 119,880 shares [93,200 shares] (Note 2)	Common stock 130,160 shares [92,360 shares] (Note 2)	Common stock 137,580 shares [91,860 shares] (Note 2)
Amount to be paid in upon exercise of stock acquisition rights	¥1 per share	¥1 per share	¥1 per share
Exercise period of stock acquisition rights	From July 15, 2016 to July 14, 2046	From April 27, 2017 to April 26, 2047	From April 27, 2018 to April 26, 2048
Issue price for shares issued upon exercise of stock acquisition rights and amount of capitalization	Issue price: ¥1,345 (Note 3) Amount of capitalization: (Note 4)	Issue price: ¥1,843 (Note 3) Amount of capitalization: (Note 4)	Issue price: ¥2,431 (Note 3) Amount of capitalization: (Note 4)
Conditions for the exercise of stock acquisition rights	(Note 5, 6)	(Note 5, 6)	(Note 5, 6)
Matters regarding the acquisition of stock acquisition rights through transfer	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.
Matters regarding substitute payment	—	—	—
Matters regarding grant of stock acquisition rights upon organizational restructuring	(Note 7)	(Note 7)	(Note 7)

(Notes) 1. The information is that as of the end of fiscal year (March 31, 2024). The number of stock acquisition rights and the number of shares to be issued upon exercise of stock acquisition rights in brackets in the lower row is information as of the end of the last month ended before the filing date (May 31, 2024). With regard to the other items, there is no change from the information as of the end of fiscal year.

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

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

In addition, if there are unavoidable grounds requiring an adjustment of the Number of Shares to be Issued, the Number of Shares to be Issued may be adjusted to the extent necessary by a resolution of the Board of Directors.

Any fractions of less than one share resulting from the adjustment will be rounded down.

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

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

Any fraction less than one stock acquisition right will be rounded down.
 - c. If the TSR/TOPIX Growth Rate Ratio is less than 80%
No Allotted Rights may be exercised.
7. In the event that the Company engages in a merger (only if the Company is to be dissolved as a result of the merger), an absorption-type company split or incorporation-type company split (in each case, only if the Company is to be a split company), or share exchange or share transfer (in each case, only if the Company is to be a wholly-owned subsidiary) (hereafter all of which are collectively referred to as "Corporate Reorganization"), then stock acquisition rights for the entities specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (such entity hereinafter referred to as the "Reorganized Company") shall be issued to the Stock Acquisition Right Holders holding stock acquisition rights remaining in effect (the "Remaining Stock Acquisition Rights") immediately prior to the effective date of the Corporate Reorganization (hereinafter respectively referring to an effective date of absorption-type merger in the case of an absorption-type merger, a date of incorporation of a company incorporated through a consolidation-type merger in the case of a consolidation-type merger, an effective date of absorption-type company split in the case of an absorption-type company split, a date of incorporation of a company incorporated through an incorporation-type company split in the case of an incorporation-type company split, an effective date of a share exchange in the case of a share exchange, or a date of incorporation of a wholly owning parent company incorporated through share transfer). However, these stock acquisition rights shall be granted only if provisions for issuing the stock acquisition rights of the Reorganized Company in accordance with the following conditions are included in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement, or a share transfer plan.
 - (1) The number of stock acquisition rights of the Reorganized Company to be issued
The number of stock acquisition rights equal to the number of Remaining Stock Acquisition Rights held by respective Stock Acquisition Right Holders shall be issued.
 - (2) The class of shares of the Reorganized Company to be issued upon the exercise of stock acquisition rights
Common shares of the Reorganized Company shall be issued.
 - (3) The number of shares of the Reorganized Company to be issued upon the exercise of stock acquisition rights
The number shall be determined in accordance with the terms and conditions of Remaining Stock Acquisition Rights, taking into account the conditions and other factors concerning Corporate Reorganization.
 - (4) Amount of assets to be contributed upon the exercise of stock acquisition rights
The amount of assets contributed upon the exercise of stock acquisition rights to be issued shall be the amount derived by multiplying the amount to be paid in per share to be delivered upon the exercise of stock acquisition rights of the Reorganized Company (the "Post-reorganization Exercise Price") prescribed below by the number of shares of the Reorganized Company to be issued determined in accordance with paragraph (3) of this section. The Post-Reorganization exercise price shall be one yen.
 - (5) Exercise period of stock acquisition rights
The exercise period of stock acquisition rights shall be from the later of the first day of the exercise period of stock acquisition rights or the effective date of the Corporate Reorganization to the expiration date of the exercise period of stock acquisition rights.
 - (6) Matters concerning common stock and capital reserve to be increased due to the issuance of shares upon the exercise of stock acquisition rights
The matters shall be determined in accordance with the terms and conditions of Remaining Stock Acquisition Rights.
 - (7) Restrictions on acquisition of stock acquisition rights through transfer
The acquisition of stock acquisition rights through transfer shall be subject to the approval of the Reorganized Company.
 - (8) Conditions for the exercise of stock acquisition rights
The matters shall be determined in accordance with the terms and conditions of Remaining Stock Acquisition Rights.
 - (9) Matters concerning the acquisition of stock acquisition rights
The matters shall be determined in accordance with the terms and conditions of Remaining Stock Acquisition Rights.

2) Details of shareholder right plans

Not applicable.

3) 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)
May 31, 2019 (Note 1)	587,800	967,280,477	1,072	459,862	1,072	177,828
May 27, 2020 (Note 2)	604,800	967,885,277	928	460,790	928	178,756
June 15, 2021 (Note 3)	349,600	968,234,877	941	461,731	941	179,697
June 15, 2022 (Note 4)	337,000	968,571,877	1,086	462,817	1,086	180,783
December 14, 2022 (Note 5)	(30,488,800)	938,083,077	-	462,817	-	180,783
May 31, 2023 (Note 6)	158,200	938,241,277	600	463,417	600	181,383
October 18, 2023 (Note 5)	(11,073,400)	927,167,877	-	463,417	-	181,383

(Notes) 1. This increase is due to the issuance of new shares as restricted stock compensation.

Issue price: 3,647 yen per share

Amount of capitalization: 1,823.5 yen per share

Allottees: 37 Executive Officers of the Company and 34 Corporate Officers of the Company

2. This increase is due to the issuance of new shares as restricted stock compensation.

Issue price: 3,067 yen per share

Amount of capitalization: 1,533.5 yen per share

Allottees: 31 Executive Officers of the Company and 33 Corporate Officers of the Company

3. This increase is due to the issuance of new shares as restricted stock compensation.

Issue price: 5,384 yen per share

Amount of capitalization: 2,692 yen per share

Allottees: 31 Executive Officers of the Company and 35 Corporate Officers of the Company

4. This increase is due to the issuance of new shares as restricted stock compensation.

Issue price: 6,448 yen per share

Amount of capitalization: 3,224 yen per share

Allottees: 35 Executive Officers of the Company, 34 Corporate Officers of the Company and 5 Directors of the consolidated subsidiaries.

5. The change in the total number of issued shares is due to the cancellation of treasury stock.

6. This increase is due to the issuance of new shares as restricted stock compensation.

Issue price: 7,586 yen per share

Amount of capitalization: 3,793 yen per share

Allottees: 37 Executive Officers of the Company, 38 Corporate Officers of the Company and 5 Directors of the consolidated subsidiaries.

7. The Company issued its new shares as restricted stock compensation on June 3, 2024. The total number of issued shares, common stock and capital reserve increased by 146,000 shares, 966 million yen and 966 million yen respectively.

(5) Shareholders composition

(As of March 31, 2024)

Class of shareholders	Status of shares (one unit of stock: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	2	162	62	2,144	1,300	147	198,017	201,834	-
Share ownership (units)	92	2,912,162	147,230	122,176	4,724,150	1,232	1,342,859	9,249,901	2,177,777
Ownership percentage of shares (%)	0.00	31.48	1.59	1.32	51.07	0.01	14.52	100.00	-

- (Notes) 1. Of 546,173 shares of treasury stock, 5,461 units are included in the “Individuals and others” column, while 73 shares are included in the “Number of shares less than one unit” column.
2. Of the shares registered in the name of Japan Securities Depository Center, Incorporated (account for managing shares, the holders of which have not transferred titles), 53 units are included in the “Other institution” column and 65 shares are included in the “Number of shares less than one unit” column.

(6) Major shareholders

(As of March 31, 2024)

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)	8-1, Akasaka 1-chome, Minato-ku, Tokyo	155,658,700	16.80
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	57,317,377	6.19
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)	22,663,806	2.45
GOVERNMENT OF NORWAY (Standing proxy: Citibank, N.A.)	Bankplassen 2, 0107 Oslo 1 Oslo 0107 NO (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	21,161,670	2.28
NATS CUMCO (Standing proxy: Mizuho Bank, Ltd.)	C/O Citibank, New York 111 Wall Street, New York, NY, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	20,721,566	2.24
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	20,000,099	2.16
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	One Congress Street, Suite 1, Boston, Massachusetts (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	19,936,868	2.15
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)	18,317,987	1.98
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	17,568,674	1.90
JP Morgan Chase Bank 385632 (Standing proxy: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (15-1, Konan 2-chome, Minato-ku, Tokyo)	15,303,016	1.65
Total	-	368,649,763	39.78

(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 had not confirmed the actual status of shareholdings as of March 31, 2024. The main contents of the reports are as follows.

Holders	BlackRock Japan Co. Ltd and nine other persons
Date on which the duty to file report	September 15, 2023
Number of shares	68,635,088 shares
Ownership percentage to the total number of issued shares	7.32%

Holders	Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other person
Date on which the duty to file report	March 15, 2022
Number of shares	58,850,673 shares
Ownership percentage to the total number of issued shares	6.08%

(7) Information on voting rights

1) Issued shares

(As of March 31, 2024)

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	Common stock 566,700	—	—
Shares with full voting rights (others)	Common stock 924,423,400	9,244,234	—
Shares less than one unit	Common stock 2,177,777	—	—
Number of issued shares	927,167,877	—	—
Total number of voting rights	—	9,244,234	—

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

2) Treasury stock, etc.

(As of March 31, 2024)

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	546,100	—	546,100	0.06
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	17,600	—	17,600	0.00
Mizuho Co., Inc.	28-8, Honkomagome 2-chome, Bunkyo-ku, Tokyo	3,000	—	3,000	0.00
Total	—	566,700	—	566,700	0.06

2. Information on Acquisition, etc. of Treasury Stock

Class of shares

Acquisition of common stock under Article 155, Item 3, 7 and 13 of the Companies Act

(1) Acquisition of treasury stock resolved at the general meeting of shareholders

Not applicable.

(2) Acquisition of treasury stock resolved at the Board of Directors meetings

Acquisition of common stock under Article 155, Item 3 of the Companies Act

Classification	Number of shares (shares)	Total amount (yen)
Resolution details on Board of Directors (April 27,2023) (Note) (Acquisition period From April 28, 2023 to March 31, 2024)	20,000,000(maximum)	100,000,000,000(maximum)
Treasury stock acquired before the fiscal year	—	—
Treasury stock acquired during the fiscal year	11,073,400	99,999,418,727
Total number and total value of remaining shares to be acquired by the resolution	8,926,600	581,273
Unexercised rate as of the end of the fiscal year (%)	44.6	0.0
Treasury stock acquired during the current period	—	—
Unexercised rate as of the filing date (%)	44.6	0.0

(Note) The Board of Directors has resolved that the method of acquisition would be market purchase on the Tokyo Stock Exchange.

Classification	Number of shares (shares)	Total amount (yen)
Resolution details on Board of Directors (April 26,2024) (Note 1, 2) (Acquisition period From April 30, 2024 to March 31, 2025)	21,000,000(maximum)	200,000,000,000(maximum)
Treasury stock acquired before the fiscal year	—	—
Treasury stock acquired during the fiscal year	—	—
Total number and total value of remaining shares to be acquired by the resolution	21,000,000	200,000,000,000
Unexercised rate as of the end of the fiscal year (%)	100.0	100.0
Treasury stock acquired during the current period (Note 3)	710,400	10,915,978,498
Unexercised rate as of the filing date (%)	96.6	94.5

(Notes) 1. The Board of Directors has resolved that the method of acquisition would be market purchase on the Tokyo Stock Exchange.

2. Number of shares (maximum) in resolution details on Board of Directors (April 26, 2024) will be 105 million shares, after the effective date of the share split (July 1, 2024).

3. The number of shares of treasury stock acquired from June 1, 2024 to the filing date is not included.

- (3) Details of acquisition of treasury stock not based on the resolutions of the general meeting of shareholders or the Board of Directors meetings

Acquisition of common stock under Article 155, Item 7 of the Companies Act (Note 1)

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2024	46,472	458,857,123
Treasury stock acquired during the current period (Note 2)	5,461	76,864,860

(Notes) 1. Acquisition of stock less than one share unit due to purchase requests from shareholders under Article 192, Paragraph 1 of the Companies Act.

2. The number of shares treasury stock acquired due to requests to purchase stock of less than one share unit from June 1, 2024 to the filing date is not included.

Acquisition of common stock under Article 155, Item 13 of the Companies Act (Note)

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2024	19,400	-
Treasury stock acquired during the current period	42,600	-

(Note) Acquisition without consideration of part of the common stock allotted to the Company's Executive Officers and Corporate Officers as restricted stock compensation (Article 27, Paragraph 1 of the Order for Enforcement of the Companies Act).

(4) Status of the disposition and holding of acquired treasury stock

Classification	Fiscal year ended March 31, 2024		Current period (Note)	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Acquired treasury stock which was offered to subscribers	-	-	-	-
Acquired treasury stock which was canceled	11,073,400	98,793,774,248	-	-
Acquired treasury stock which was transferred due to merger, share exchange, share delivery or company split	-	-	-	-
Others (Acquired treasury stock which was transferred upon the exercise of stock acquisition rights, and which was sold due to requests from shareholders holding less than one share unit to sell additional shares)	30,529	213,089,353	110,200	1,007,067,108
Total number of treasury stock held	546,173	-	1,194,434	-

(Note) The following are not included: the number of shares of treasury stock which were transferred with the exercise of stock acquisition rights from June 1, 2024 to the filing date; the number of shares of treasury stock which were sold due to requests from shareholders holding less than one share unit to sell additional shares from June 1, 2024 to the filing date; the number of shares of treasury stock acquired due to resolutions at meeting of the Board of Directors held from June 1, 2024 to the filing date; and the number of shares of treasury stock acquired due to purchase requests from shareholders holding stock less than one share unit from June 1, 2024 to the filing date.

3. Dividend Policy

The Company views the return of profits to shareholders through enhancing corporate value from a mid- to long-term perspective and paying dividends and repurchasing its shares as an important managerial issue.

The policy of the Company regarding dividends is to aim for the stable payment of dividends while also securing the funds necessary for investment dividends are determined by comprehensively taking into account factors such as financial performance trends, the financial situation, and the dividend payout ratio.

The Company flexibly repurchases its shares depending on factors such as capital needs and the business environment.

In accordance with its mid- to long-term management strategy, the Company utilize undistributed profits in areas such as M&A, research and development, and capital expenditure, in order to secure competitiveness and grow the business as a global enterprise.

Based on the above policy, annual dividends of 180.0 yen per share were paid for the fiscal year ended March 31, 2024. It was resolved at the Board of Directors meeting held on October 27, 2023 to pay interim dividends of 80.0 yen per share, resulting in total interim dividends of 74,144 million yen. In addition, it was resolved at the Board of Directors meeting held on May 13, 2024 to pay year-end dividends of 100.0 yen per share, resulting in total year-end dividends of 92,662 million yen.

4. Corporate Governance, etc.

(1) Corporate governance

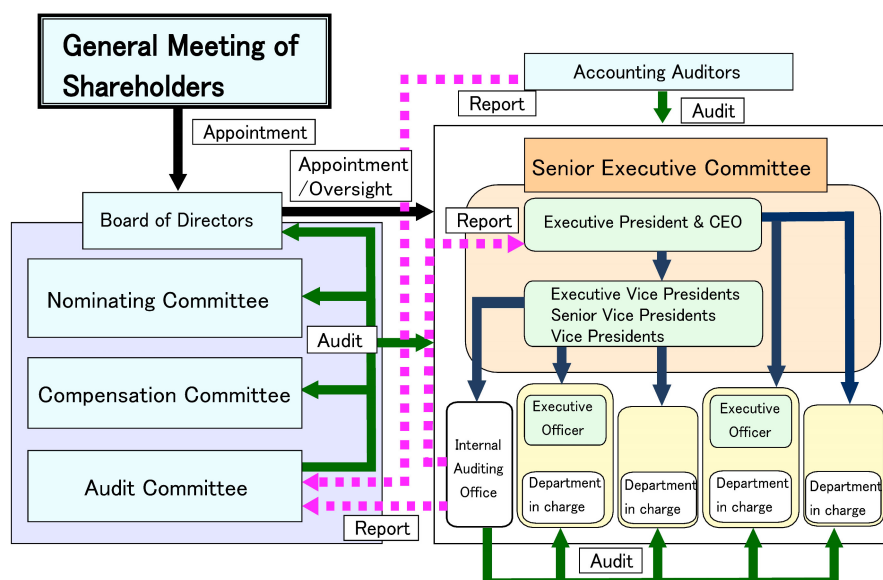
1) Basic policy about corporate governance

The Company considers the growth of profits for shareholders and investors from a long-term perspective as an important managerial objective. As the Company and the Hitachi Group have a wide range of stakeholders, from shareholders and investors to customers and clients, the Company realizes that building good relationships with them forms an important part of its corporate value.

The Company is a Company with Nominating Committee, etc. under the Companies Act, aiming to establish a framework for quick business operation and to realize highly transparent management by separating responsibilities for management oversight and those for the execution of business operations. The Company attempts to maintain an appropriate composition of the Board of Directors aiming to ensure the effectiveness of its management oversight function in addition to reflect diverse global perspectives in management. The Company has positioned the Corporate Governance Guidelines as the basic framework of its corporate governance, including functions of the Board of Directors.

In addition, the Company has positioned the Hitachi Group Code of Ethics and Business Conduct as behavior disciplines to be shared among the Group to generate common values for the Hitachi Group and promote understanding of the social responsibilities to be fulfilled by the Company.

Chart of Corporate Governance System of the Company



2) Outline of corporate organizations

Board of Directors

The Board of Directors approves the basic management policy for the Hitachi Group and supervises the execution of the duties of Executive Officers and Directors in order to sustainably enhance corporate value and shareholders' common interests. The basic management policy includes the medium-term management plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation and Board of Directors Regulations.

With regard to the number of Directors and their election, the Company stipulates in its Articles of Incorporation that the Company shall have no more than 20 Directors. With regard to the adoption of resolutions for the election of Directors, the Company stipulates in its Articles of Incorporation that the resolutions for the election of Directors shall be approved by attending shareholders possessing one-third or more of all voting rights of the shareholders who are entitled to exercise their votes, and that the resolution shall not be made by cumulative voting. The Board of Directors was made up of 12 Directors who were elected at the Annual General Meeting of Shareholders held on June 21, 2024, and nine of whom are Independent Directors* and two of whom concurrently serve as Executive Officers.

* The "Independent Directors" in this report are the directors who fulfill the qualification

requirements to be outside directors as provided by the Companies Act of Japan and also meet the independence criteria defined by the Company and those as provided by Japanese stock exchanges where the Company is listed, unless otherwise stated.

Within the Board of Directors, there are three statutory committees, the Nominating Committee, the Audit Committee and the Compensation Committee with Independent Directors accounting for the majority of members of each committee.

The Board of Directors meetings were held nine days during the fiscal year ended March 31, 2024 (fiscal 2023). The attendance record of each Director during fiscal 2023 is as follows.

Name	Attendance / Number of days held the Board of Directors meetings (Note 1)	Attendance rate (Note 1)
Katsumi Ihara	9 days / 9 days	100%
Ravi Venkatesan	9 days / 9 days	100%
Cynthia Carroll	9 days / 9 days	100%
Ikuro Sugawara	9 days / 9 days	100%
Joe Harlan	9 days / 9 days	100%
Louise Pentland	9 days / 9 days	100%
Takatoshi Yamamoto	9 days / 9 days	100%
Hiroaki Yoshihara	9 days / 9 days	100%
Helmuth Ludwig	9 days / 9 days	100%
Keiji Kojima	9 days / 9 days	100%
Mitsuaki Nishiyama (Note 2)	7 days / 7 days	100%
Toshiaki Higashihara	9 days / 9 days	100%
Hideaki Seki (Note 3)	2 days / 2 days	100%

(Notes) 1. Based on the number of days the Board of Directors met during each member's term of office.

2. Mr. Nishiyama was appointed on June 21, 2023.

3. Mr. Seki resigned on June 21, 2023.

During fiscal 2023, the Board of Directors received a report on the progress of the Mid-term Management Plan 2024, including overall priority items and the progress in each sector, and confirmed that it is consistent with the plan. The Board of Directors extensively discussed and deliberated how to respond to risks, including cyber security and generative AI as well as management plans and business strategies. In addition to strategic discussions of basic management policies and discussions of risks, the Board of Directors received reports on and discussed topics important to the executives which were discussed at the Senior Executive Committee, an advisory council to the President, facilitating a shared understanding with the executives. In order to promote more lively discussion, the Board of Directors spends more time exchanging views on agenda items than explaining them.

As part of the above, the Company holds meetings of the Board of Directors, basically once a year, in countries closely related to the Hitachi Group's business. In September 2023, the Company held the Board of Directors meeting in Stockholm, Sweden. At the meeting, Directors discussed issues relevant to business strategy in Europe and environmental strategy. The Directors also attended lectures by local experts and visited local subsidiaries. In addition, the Company held a Board of Directors meeting at the *Kyōsō-no-Mori* R&D center, the R&D Group's Kokubunji Site, which is one of the Company's research and development sites. Directors discussed research and development strategy and innovation strategy at the meeting and attended lectures regarding research and development initiatives presented by employees.

Furthermore, the Company is working to improve the effectiveness of the Board of Directors by enhancing its opportunities to share information with Independent Directors through individual meetings, site visits, and other activities. Online participation in the Hitachi Social Innovation Forum, and attendance at the internal business conference and the research presentation meeting held at research institutes, including online, and visits to Hitachi Origin Park provided opportunities for the Independent Directors to increase their understanding of the business and engage in dialogue with

senior management and front line employees.

The Company has established the Board of Directors Office to assist with the duties of each Committee and the Board of Directors. The Office is staffed with employees who exclusively serve the Office and are not subject to the orders or instructions of Executive Officers. Some of them are assigned to be full-time auditors auditing governance, risk management, etc. in the Digital Systems & Services, Green Energy & Mobility and Connective Industries sectors.

The Nominating Committee

The Nominating Committee has the authority to determine that particular proposals should be submitted to the general meeting of shareholders for the election and dismissal of Directors. The Nominating Committee consists of three Directors, two of whom are Independent Directors, after the Board of Directors meeting held on June 21, 2024. The members of the committee are described in “(2) Directors and Senior Management - 1) Lists of directors and senior management - (a) Directors.”

The Nominating Committee meetings were held 10 days during fiscal 2023. The attendance record of each member of the Nominating Committee during fiscal 2023 is as follows.

Name	Attendance / Number of days held the Nominating Committee (Note)	Attendance rate (Note)
Katsumi Ihara	10 days / 10 days	100%
Cynthia Carroll	10 days / 10 days	100%
Hiroaki Yoshihara	10 days / 10 days	100%
Toshiaki Higashihara	10 days / 10 days	100%

(Note) Based on the number of days the Nominating Committee met during each member’s term of office.

During fiscal 2023, the Nominating Committee decided on the details of the proposal regarding the election of Directors to be submitted to the general meeting of shareholders, discussed candidates to succeed the CEO, and received and confirmed a preliminary report on the Executive Officer structure for fiscal 2024. In addition, to develop management-level leadership candidates, the members of the Nominating Committee held discussions and conducted one-on-one interviews with leadership candidates.

The Audit Committee

The Audit Committee has the authority to audit the execution of duties of Directors and Executive Officers and to determine proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors.

The members and activities of the Audit Committee are described in “(3) Audit - 1) Audit by the Audit Committee.”

The Compensation Committee

The Compensation Committee has the authority to determine remuneration policies for Directors and Executive Officers and remuneration for individuals based on those policies. The Compensation Committee consists of four Directors, three of whom are Independent Directors, after the Board of Directors meeting held on June 21, 2024. The members of the committee are described in “(2) Directors and Senior Management - 1) Lists of directors and senior management - (a) Directors.”

The Compensation Committee were held seven days during fiscal 2023. The attendance record of each member of the Compensation Committee during fiscal 2023 is as follows.

Name	Attendance / Number of days held the Compensation Committee (Note)	Attendance rate (Note)
Katsumi Ihara	7 days / 7 days	100%
Joe Harlan	7 days / 7 days	100%
Takatoshi Yamamoto	7 days / 7 days	100%
Keiji Kojima	7 days / 7 days	100%

(Note) Based on the number of days the Compensation Committee met during each member’s term of office.

During fiscal 2023, based on policies for determining compensation for Directors and Executive Officers, the Compensation Committee determined the amounts of remuneration for Directors and Executive Officers individually including confirmation and review of the process and details of performance and individual target evaluations regarding the assessment of fixed pay amounts and the short-term incentive compensation paid to Executive Officers.

In addition, the Compensation Committee discussed whether the compensation system for the Company's Executive Officers which was amended in the previous fiscal year, functioned soundly as an incentive to increase corporate value over the mid- to long-term, based on an analysis by a third-party organization outside of the Company. In particular, the Compensation Committee confirmed the appropriateness of the compensation levels based on a compensation benchmark analysis considering each market in Japan, Europe and the U.S. and examined whether the new compensation system functioned effectively from various angles, including the verification of the appropriateness of target setting and evaluation.

Regarding the compensation paid to the Company's Directors, based on a remuneration benchmark analysis, the Compensation Committee discussed the compensation paid to the Directors of the Company who are from various regions. As a result, the Compensation Committee decided to introduce a new compensation system in Fiscal 2024 to further promote awareness of increasing corporate value in the context of management supervision and advice. Specifically, the Compensation Committee revised compensation levels to be sufficiently competitive in the global market, and introduced stock compensation in order to further promote awareness of increasing corporate value in the medium-to-long term and enhance the sharing of value with shareholders.

In its deliberations, the Compensation Committee considers changes in the business environment and the opinions of shareholder and investors and obtains necessary information and advice from third-party organizations with global insight and experience.

Details of the compensation paid to Directors and Executive Officers of the Company are described in "(4) Compensation to Directors and Executive Officers."

Executive Officers

Executive Officers decide on matters delegated to them by the Board of Directors and execute the Company's business affairs within the scope of assignments determined by the Board of Directors. As of June 21, 2024, the Company has 35 Executive Officers (See "(2) Directors and Senior Management - 1) Lists of directors and senior management - (b) Executive Officers.")

The Company stipulates in its Articles of Incorporation that the Company shall have no more than 40 Executive Officers.

Senior Executive Committee

The Senior Executive Committee is a council to ensure that the President deliberately decides on important managerial matters, which may affect the business of the Company or the Hitachi Group, through discussing from diverse viewpoints. It consists of nine regular attendees as of June 21, 2024; President & CEO (Keiji Kojima), four Executive Vice President and Executive Officers (Jun Abe, Brice Koch, Alistair Dormer and Toshiaki Tokunaga), four Senior Vice President and Executive Officers (Tomomi Kato, Lorena Dellagiovanna, Hidenobu Nakahata and Masahiko Hasegawa) and one Vice President and Executive Officer (Yuto Matsumura), and other attendees designated by the President.

In April 2022, the Company established the Growth Strategy Meeting, the Risk Management Meeting and the Human Resource Strategy Meeting within the Senior Executive Committee. The Growth Strategy Meeting discusses and decides on matters related to the Hitachi Group's management strategy and accelerates the formulation of strategies necessary for its growth. The Risk Management Meeting discusses and decides on important matters related to group-wide risks, and aims to realize a solid management foundation in coordination with growth strategies through a centralized and cross-sectional understanding of risks. The Human Resource Strategy Meeting discusses and decides on matters necessary to foster the Hitachi Group's organization and culture as well as to secure and develop human resources, thereby supporting its continued growth through the enhancement of human capital.

Summary of a limited liability agreement and the directors' and officers' liability insurance agreement

The Company maintains a limited liability agreement stipulated in Article 427, Paragraph 1 of the Companies Act with each director (excluding Director who concurrently serves as an Executive Officer). The general intent of the agreement is to limit the liability of Directors to the aggregate amount stipulated in each item under Article 425, Paragraph 1 of the Companies Act.

In addition, the Company maintains a directors' and officers' liability insurance agreement stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The coverage of insured persons and outline of the insurance agreement are as follows.

i) Coverage of insured persons

The Company's Directors, Executive Officers, Corporate Officers (the executive positions just below Executive Officers), employees who work as officers at the company to which they are assigned and some of the Company's domestic subsidiaries' directors, corporate auditors executive officers and employees (including employees who work as officers at the company to which they are assigned).

ii) Outline of the insurance agreement

The agreement compensates insured people for damages and litigation costs, etc. incurred as a result of any damage claims due to an act or omission carried out by the insured person as an executive of a company. However, the Company has taken measures to ensure that the appropriateness of the officers' execution of their duties is not impaired by excluding compensation for intentional negligence in the fulfillment of their duties, the illegal acquisition of private benefits or other benefits and damages resulting from criminal acts. The entire cost of the insurance agreement is borne by the Company or its subsidiaries that hold the insurance agreement.

3) Matters determined by resolution of the Board of Directors without resolution at the general meeting of shareholders pursuant to the provisions of the Articles of Incorporation

The Company stipulates in the Articles of Incorporation that it may, unless otherwise provided in the applicable laws, determine on matters specified in each item of Article 459, Paragraph 1 of the Companies Act by resolution of the Board of Directors, without a resolution at the general meeting of shareholders.

For the repurchase of the company's own shares (Article 459, Paragraph 1, Item 1 of the Companies Act), the Board of Directors shall make decisions on the matter in order to enable timely implementation of capital strategies.

Regarding a reduction of capital reserve or earned surplus reserve (Article 459, Paragraph 1, Item 2 of the Companies Act), appropriation of surplus (excluding dividends of surplus and disposal of the property of the Company) (Article 459, Paragraph 1, Item 3 of the Companies Act) and dividends of surplus (Article 459, Paragraph 1, Item 4 of the Companies Act), since the Company was a company with committees as of the date of enforcement of the Companies Act, it was deemed that its Articles of Incorporation had stipulations that the Board of Directors was able to decide the above matters without resolution at the general meeting of shareholders and that it should not stipulate that such matters shall be resolved by the resolution of the general meeting of shareholders, in accordance with Article 57 of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act (July 26, 2005, Act No. 87). Even after the enforcement of the Companies Act, the Company has made it a rule to make these important business judgments in a timely manner at the meetings of the Board of Directors to enhance the shareholders' common interests.

The Company has stipulated in its Articles of Incorporation that it may, by resolution of the Board of Directors, exempt any Director (including former Director) and Executive Officer (including former Executive Officer) from liabilities as provided in Article 423, Paragraph 1 of the Companies Act to the extent as provided in laws or regulations.

4) Requirement for special resolution of the general meeting of shareholders

To securely meet the quorum of the general meeting of shareholders under Article 309, Paragraph 2 of the Companies Act, the Company stipulates in its Articles of Incorporation that any resolution as provided in Article 309, Paragraph 2 of the Companies Act shall be adopted at a general meeting of shareholders where shareholders representing one-third or more of the voting rights of all

the shareholders shall be present, by a majority of two-thirds or more of the voting rights of the shareholders who are present at the meeting and who are entitled to vote.

5) Internal control system and risk management system

Outlines of the internal control system and the risk management system of the Company are as follows. In addition, these systems were resolved by the Board of Directors as the basic policy for internal control system under the Companies Act.

- i) The following measures shall be taken to ensure the effectiveness of audits by the Audit Committee.
 - (a) When necessary, the Board of Directors may appoint one or more directors, who does not serve concurrently as executive officers, to be director(s) responsible for assisting with the duties of the Audit Committee. In addition, the Board of Directors Office (the “Office”) shall be established specifically to assist the Board of Directors and each committee with their duties.
 - (b) To ensure the Office personnel are independent from Executive Officers and the effect of instructions by the Audit Committee, the Office is staffed with personnel who work only for the Office and are not subject to orders and instructions of Executive Officers, and the Audit Committee shall be informed in advance of planned transfers of the Office personnel.
 - (c) Executive Officers and employees shall report significant matters affecting the Company and its subsidiaries, the results of internal audits and the implementation status of reporting under the internal reporting system without delay to the members of the Audit Committee. It shall be provided for in the company regulation that reporters using the common internal reporting system of the Hitachi Group, shall not be treated disadvantageously due to their submission of a report, and the secretariat of the system’s administrative organization shall ensure the provision is thoroughly implemented.
 - (d) The Office shall be responsible for paying for the expenses incurred in connection with the Audit Committee members’ execution of their duties and other administrative duties, and shall promptly process the payments for these expenses or debts except in the case where the expense or debt of the claim is clearly found to be unnecessary to the Audit Committee members’ execution of their duties.
 - (e) Standing Committee member(s) shall be appointed to the Audit Committee, and activity plans of the Audit Committee shall be prepared in coordination with the audit plans of Internal Auditing Office.
- ii) The following measures shall be taken to ensure the adequacy of the operations within the Company and the Hitachi Group.
 - (a) Fundamental policies that emphasize the social responsibilities of business enterprises shall be shared with the subsidiaries of the Company.
 - (b) Each subsidiary of the Company shall develop systems to ensure the appropriateness of its operations appropriate for its size and other characteristics, the basic framework of which will be similar to ones employed by the Company. To ensure each subsidiary’s development of such systems, directors and auditors shall be sent by the Company to the subsidiaries, and regular audits shall of the subsidiaries be conducted.
 - (c) A system of reporting matters to Directors shall be established to ensure that the Executive Officers of the Company execute their duties in compliance with laws, regulations, and the Articles of Incorporation.
 - (d) Information pertaining to the Company’s Executive Officers’ execution of their duties shall be prepared and maintained in accordance with internal rules.
 - (e) A structure shall be established in which each relevant department shall establish regulations and guidelines, conduct training, prepare and distribute manuals, and carry out other such measures with respect to various risks. Efforts shall be made to identify possible new risks through such things as progress reports on business operations and, should it become necessary to respond to a new risk, an Executive Officer responsible for responding thereto shall be appointed promptly.
 - (f) Efficient performance of duties of the Executive Officers of the Company, and Directors and Executive Officers of the subsidiaries shall be ensured through the following business management systems.
 - The Senior Executive Committee shall be established in order to deliberate on and facilitate

the formulation of decisions based on due consideration of diverse factors regarding important issues that affect the Company and/or the Hitachi Group.

- Based on the management policy, medium-term business plans and annual budgets, on which performance management is based, shall be prepared in order to operate business in a planned and efficient manner.
 - Internal audits of the Company and its subsidiaries shall be conducted to monitor and identify the status of their business operations and to facilitate improvements.
 - The Audit Committee shall receive the audit plans of the accounting auditors in advance, and the prior approval of the Audit Committee shall be required with respect to the fees to be paid to the accounting auditors.
 - Documented business processes for matters to be reflected in financial reports shall be executed at the Company and its subsidiaries, and internal and external auditors shall examine said processes in order to ensure the reliability of financial reports.
 - A structure for the adequate and efficient conduct of business operations common to the Hitachi Group companies shall be established.
- (g) Continuous maintenance of a legal and regulatory compliance structure shall be ensured through the following business management systems.
- Internal audits shall be conducted, and various committees shall be established for legal and regulatory compliance activities. Furthermore, an internal reporting system common for the Group shall be established and education on legal and regulatory compliance shall be provided.
 - Various policies and rules on compliance with laws shall be established, aiming to ensure that the employees are aware of the internal control systems overall and that the systems are effective.
- (h) A system shall be established, in which the subsidiaries report on important issues and the progress in measures for operations to the Company through the Company's Senior Executive Committee, medium-term business plans and the budget system.
- (i) The policy on transactions within the Hitachi Group is to trade fairly based on market prices.

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

We invest 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, 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.

(2) Directors and Senior Management

1) Lists of directors and senior management

Men: 41 persons, Women: 4 persons

(Women's percentage to total number of Directors and Senior Management: 9%)

The Company is a Company with Nominating Committee, etc. pursuant to the Companies Act. The information on its Directors and Executive Officers is as follows.

(a) Directors



Katsumi Ihara



Ravi Venkatesan



Ikuro Sugawara



Isabelle Deschamps



Joe Harlan



Louise Pentland



Takatoshi Yamamoto



Hiroaki Yoshihara



Helmuth Ludwig



Keiji Kojima



Mitsuaki Nishiyama



Toshiaki Higashihara

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions	Term of office	Share ownership (shares)
Chairman of the Board Member of Nominating Committee (Chair), Audit Committee and Compensation Committee	Katsumi Ihara	Sept. 24, 1950	6/2005 Executive Deputy President, Representative Corporate Executive Officer, Member of the Board, Sony Corporation	(Note 1)	1,400
			4/2009 Executive Deputy President, Corporate Executive, Sony Corporation		
			6/2009 Executive Vice President, Representative Director, Sony Financial Holdings Inc.		
			6/2010 President, Representative Director, Sony Financial Holdings Inc.		
			6/2011 President, Representative Director, Sony Life Insurance Co., Ltd.		
			4/2015 Chairman, Director, Sony Life Insurance Co., Ltd. (retired in June 2017)		
			6/2016 Chairman, Director, Sony Financial Holdings Inc. (retired in June 2017)		
			6/2018 Director, Hitachi, Ltd.		

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director	Ravi Venkatesan	Jan. 12, 1963	7/1999	Chairman of the Board of Directors, Cummins India Ltd. (retired in March 2004)	(Note 1)	700
			1/2004	Chairman, Microsoft India Pvt. Ltd. (retired in September 2011)		
			4/2011	Independent Director, Infosys Ltd. (retired in May 2018, served as Co-Chairman from April 2017 to August 2017)		
			4/2013	Venture Partner, Unitus Ventures LLC. (currently in office)		
			8/2015	Chairman (Non-Executive), Bank of Baroda (retired in August 2018)		
			9/2018	Special Representative for Young People & Innovation, UNICEF (retired in September 2023)		
			7/2020	Director, Hitachi, Ltd.		
			10/2022	Board Chair, Global Energy Alliance for People and Planet, LLC		
Director Member of Audit Committee	Ikuro Suagawara	Mar. 6, 1957	7/2010	Director-General of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry of Japan (“METI”)	(Note 1)	700
			9/2012	Director-General of the Manufacturing Industries Bureau, METI		
			6/2013	Director-General of the Economic and Industrial Policy Bureau, METI		
			7/2015	Vice-Minister of Economy, Trade and Industry of Japan		
			8/2017	Special Advisor to the Cabinet of Japan (retired in June 2018)		
			6/2022	Director, Hitachi, Ltd.		
Director	Isabelle Deschamps	Jun. 11, 1970	5/1993	Admitted an Attorney-at -Law at Quebec Bar (Canada)	(Note 1)	0
			2/2003	Head of Legal and Company Secretary, Nestle UK Ltd		
			11/2009	Admitted as a Solicitor (UK)		
			10/2012	Senior Vice President, General Counsel Global Categories and Intellectual Property, Unilever PLC (UK)		
			1/2017	Executive Vice President, General Counsel Europe and Global E-Commerce, Digital and Privacy, Unilever PLC (UK)		
			1/2018	Executive Vice President, General Counsel Europe and Global Foods & Refreshments, Unilever N.V. (Netherlands)		
			9/2018	Member of Executive Committee, Group General Counsel, AkzoNobel N.V.		
			10/2021	Member of Executive Committee, Chief Legal, Governance & Corporate Affairs Officer, Rio Tinto plc		
			6/2024	Director, Hitachi, Ltd.		

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Compensation Committee	Joe Harlan	May 5, 1959	9/1999	Vice President and Chief Financial Officer, Lighting Business, General Electric Company	(Note 1)	1,600
			9/2001	Vice President, Corporate Financial Planning and Analysis, 3M Company		
			11/2002	President and Chief Executive Officer, Sumitomo 3M Ltd.		
			10/2004	Executive Vice President, Electro and Communications Business, 3M Company		
			10/2009	Executive Vice President, Consumer and Office Business, 3M Company		
			9/2011	Executive Vice President, Performance Materials, The Dow Chemical Company		
			9/2012	Executive Vice President, Chemicals, Energy and Performance Materials, The Dow Chemical Company		
			10/2014	Chief Commercial Officer and Vice Chairman, Market Business, The Dow Chemical Company		
			10/2015	Vice Chairman and Chief Commercial Officer, The Dow Chemical Company (retired in August 2017)		
			6/2018	Director, Hitachi, Ltd.		
Director	Louise Pentland	Apr. 11, 1972	8/1997	Admitted as a Solicitor (UK)	(Note 1)	1,300
			7/2001	Senior Legal Counsel, Nokia Networks, Nokia Corporation		
			9/2007	Vice President, Acting Chief Legal Officer and Head of IP Legal, Nokia Corporation		
			7/2008	Senior Vice President and Chief Legal Officer, Nokia Corporation		
			6/2009	Admitted to New York State Bar Association		
			2/2011	Executive Vice President and Chief Legal Officer, Nokia Corporation (retired in May 2014)		
			4/2015	General Counsel, PayPal, eBay Inc.		
			6/2015	Director, Hitachi, Ltd.		
			7/2015	Senior Vice President and Chief Legal Officer, PayPal Holdings, Inc.		
			9/2016	Executive Vice President, Chief Business Affairs and Legal Officer, PayPal Holdings, Inc.		
			1/2022	Executive Vice President and Senior Advisor, PayPal Holdings, Inc. (retired in July 2022)		
			9/2023	Executive Vice President and Chief Legal Counsel, Disney Park, Experiences and Products, The Walt Disney Company		
Director Member of Compensation Committee (Chair)	Takatoshi Yamamoto	Oct. 20, 1952	12/1995	Managing Director, Morgan Stanley Japan Limited	(Note 1)	15,000
			6/1999	Managing Director and Vice Chairman, Tokyo Branch, Morgan Stanley Japan Limited		
			7/2005	Managing Director and Vice Chairman, UBS Securities Japan Co., Ltd.		
			6/2009	Managing Director, CASIO COMPUTER CO., LTD.		
			6/2011	Advisor, CASIO COMPUTER CO., LTD. (retired in June 2012)		
			6/2016	Director, Hitachi, Ltd.		
Director Member of Nominating Committee and Audit Committee (Chair)	Hiroaki Yoshihara	Feb. 9, 1957	11/1978	Joined Peat Marwick Mitchell & Co.	(Note 1)	3,600
			7/1996	National Managing Partner, the Pacific Rim Practice, KPMG LLP		
			10/1997	The Board Member, KPMG LLP		
			10/2003	Vice Chairman and Global Managing Partner, KPMG International (retired in April 2007)		
			6/2014	Director, Hitachi, Ltd.		

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Audit Committee	Helmuth Ludwig	Sept. 19, 1962	6/2001	President, Software and System House Division, Siemens AG (Germany)	(Note 1)	5,500
			8/2002	President, Systems Engineering Division, Automation and Drives Group, Siemens AG (Germany)		
			8/2007	President, Siemens PLM Software, Inc.		
			10/2010	Global Head of Communications, Industry Automation, Siemens Corp. (USA)		
			10/2011	President and CEO, Industry Sector, North America, Siemens Industry, Inc.		
			10/2014	Executive Vice President and Chief Digital Officer, Digital Factory Division, Product Lifecycle Management, Siemens Corp. (USA)		
			10/2016	Chief Information Officer, Siemens AG (Germany) (retired in December 2019)		
			1/2020	Professor of Practice in Strategy and Entrepreneurship, Cox School of Business, Southern Methodist University (currently in office)		
			7/2020	Director, Hitachi, Ltd.		
Director Member of Compensation Committee	Keiji Kojima	Oct. 9, 1956	4/1982	Joined Hitachi, Ltd.	(Note 1)	120,400
			4/2011	General Manager, Hitachi Research Laboratory		
			4/2012	Vice President and Executive Officer		
			4/2016	Senior Vice President and Executive Officer		
			4/2018	Representative Executive Officer, Executive Vice President and Executive Officer		
			6/2021	Representative Executive Officer, President & COO and Director		
			4/2022	Representative Executive Officer, President & CEO and Director		
Director Member of Audit Committee (Standing)	Mitsuaki Nishiyama	Sep. 25, 1956	4/1979	Joined Hitachi, Ltd.	(Note 1)	26,660
			4/2008	General Manager, Finance Department I		
			4/2011	Executive Officer, Hitachi Cable, Ltd.		
			6/2012	Executive Officer, Board Director, Hitachi Cable, Ltd.		
			4/2013	Vice President and Executive Officer, Board Director, Hitachi Cable, Ltd.		
			7/2013	Vice President and Managing Officer, Hitachi Metals, Ltd. (currently Proterial, Ltd.)		
			4/2014	Vice President and Executive Officer, Hitachi Metals, Ltd. (retired in March 2015)		
			4/2015	Vice President and Executive Officer, Hitachi, Ltd.		
			4/2016	Representative Executive Officer, Senior Vice President and Executive Officer, Hitachi, Ltd.		
			4/2020	Representative Executive Officer, Chairperson and CEO, Hitachi Metals, Ltd.		
			6/2020	Representative Executive Officer, Chairperson, President and CEO, Hitachi Metals, Ltd.		
				Representative Executive Officer, Chairperson, President and CEO, and Director, Hitachi Metals, Ltd.		
			1/2023	Representative Director, Executive Chairman, Proterial, Ltd. (retired in March 2023)		
			4/2023	Associate, Hitachi, Ltd.		
			6/2023	Director, Hitachi, Ltd.		

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Executive Chairman Member of Nominating Committee	Toshiaki Higashihara	Feb. 16, 1955	4/1977	Joined Hitachi, Ltd.	(Note 1)	212,800
			4/2006	Chief Operating Officer, Information & Telecommunication Systems		
			4/2007	Vice President and Executive Officer		
			4/2008	President, Hitachi Power Europe GmbH		
			4/2010	Representative Executive Officer, President and Chief Executive Officer, Hitachi Plant Technologies, Ltd.		
			6/2010	President and Representative Director, Hitachi Plant Technologies, Ltd.		
			4/2011	Vice President and Executive Officer, Hitachi, Ltd.		
			4/2013	Senior Vice President and Executive Officer, Hitachi, Ltd.		
			4/2014	Representative Executive Officer, President & COO, Hitachi, Ltd.		
			6/2014	Representative Executive Officer, President & COO and Director, Hitachi, Ltd.		
			4/2016	Representative Executive Officer, President & CEO and Director, Hitachi, Ltd.		
			5/2021	Representative Executive Officer, Executive Chairman, President & CEO and Director, Hitachi, Ltd.		
			6/2021	Representative Executive Officer, Executive Chairman & CEO and Director, Hitachi, Ltd.		
			4/2022	Executive Chairman, Representative Executive Officer and Director, Hitachi, Ltd.		
Total						389,660

- (Notes) 1. The term of office of the Directors starts upon the election at the Annual General Meeting of Shareholders on June 21, 2024 and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2025.
2. Messrs. Katsumi Ihara, Ravi Venkatesan, Ikuro Sugawara, Joe Harlan, Takatoshi Yamamoto, Hiroaki Yoshihara and Helmuth Ludwig and Ms. Isabelle Deschamps and Louise Pentland are directors who fulfill the qualification requirements to be outside directors as provided for in Article 2, Item 15 of the Companies Act.

(b) Executive Officers

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer, Executive Chairman General	Toshiaki Higashihara	Feb. 16, 1955	See “(a) Directors”		(Note 2)	212,800
Representative Executive Officer, President & CEO Overall management	Keiji Kojima	Oct. 9, 1956	See “(a) Directors”		(Note 2)	120,400
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (business for industrial digital, water & environment business, industrial products business, industrial equipment systems business, building systems business, smart life & ecofriendly systems business, measurement and analysis systems business and healthcare business)	Jun Abe	Jun. 14, 1961	4/1984 4/2016 4/2018 4/2021 4/2024	Joined Hitachi, Ltd. Senior General Manager, Control System Platform Division, Services & Platforms Business Unit Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	48,500
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (management strategies, regional strategies, investment strategies, risk management, corporate export regulation, cost structure reform and information security management)	Brice Koch	May. 24, 1964	1/2007 1/2010 1/2014 5/2017 4/2018 4/2020 7/2023 4/2024	North Asia President, ABB Ltd. Chairman and President, ABB (China) Ltd. Executive Vice President, Head of Marketing and Customer Solutions, Member of the Group Executive Committee, ABB Ltd. CEO, OC Oerlikon Management AG Joined Hitachi, Ltd. Executive Advisor to CEO, Hitachi, Ltd. General Manager of Automotive Systems Division, Hitachi, Ltd. Representative Director, President and CEO, Hitachi Automotive Systems, Ltd. (currently Hitachi Astemo, Ltd.) Representative Director, President & CEO, Hitachi Automotive Systems, Ltd. Chairman of the Board, Hitachi Europe Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	1,700

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (railway systems business, nuclear energy business, energy business, power grids business)	Alistair Dormer	Aug. 29, 1963	2/2001	Director of Business Development, Alstom Transport U.K. Ltd.	(Note 2)	43,000
			6/2003	Joined Hitachi Europe Ltd.		
			10/2009	Managing Director, Hitachi Rail Europe Ltd.		
			9/2012	Executive Chairman and CEO, Hitachi Rail Europe Ltd.		
			4/2014	Global CEO of Rail Systems business, Hitachi, Ltd.		
			4/2015	Vice President and Executive Officer, Hitachi, Ltd.		
			4/2016	Senior Vice President and Executive Officer, Hitachi, Ltd.		
			4/2019	Executive Vice President and Executive Officer, Hitachi, Ltd.		
			4/2021	Executive Vice President and Executive Officer, Hitachi, Ltd.		
				Chairman of the Board, Hitachi Europe Ltd.		
			4/2022	Chairman of the Board, Hitachi Europe Ltd.		
			1/2023	Executive Vice President and Executive Officer, Hitachi, Ltd.		
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (growth strategies, cloud services platforms business, digital engineering business, business for financial institutions, business for government, public corporation and social infrastructure systems, defense systems business, social innovation business promotion and digital strategies)	Toshiaki Tokunaga	Mar. 15, 1967	4/1990	Joined Hitachi, Ltd.	(Note 2)	63,500
			4/2017	President, Hitachi Appliances, Inc.		
			4/2018	General Manager, Smart Life & Ecofriendly Systems Division, Hitachi, Ltd.		
			4/2019	Vice President and Executive Officer, Hitachi, Ltd.		
			4/2020	Senior Vice President and Executive Officer, Hitachi, Ltd.		
			4/2021	Executive Vice President and Executive Officer, Hitachi, Ltd.		
Senior Vice President and Executive Officer Business for financial institutions; Assistant to Executive Vice President (Digital Systems & Services (APAC))	Tatsuro Ueda	Oct. 9, 1964	4/1987	Joined Hitachi, Ltd.	(Note 2)	21,200
			4/2019	COO, Financial Institutions Business Unit		
			4/2021	Vice President and Executive Officer		
			4/2024	Senior Vice President and Executive Officer		
Representative Executive Officer, Senior Vice President and Executive Officer Financial strategies, corporate pension system, investment strategies, investor relations strategies and risk management	Tomomi Kato	Oct. 13, 1963	4/1986	Joined Hitachi, Ltd.	(Note 2)	19,200
			4/2018	General Manager of Financial Strategy Division, Finance Group, and General Manager of Asset Management Office, Investment Strategy Division		
				Vice President and Executive Officer		
			4/2022	Vice President and Executive Officer		
			4/2024	Senior Vice President and Executive Officer		

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Senior Vice President and Executive Officer Regional strategies (Americas)	Shashank Samant	Aug. 12, 1968	2/1998	Director, WW Professional Service, Verifone Business, Hewlett-Packard Company	(Note 2)	0
			3/2000	President, Ness Technologies, Inc.		
			7/2008	President, GlobalLogic Worldwide Holdings, Inc.		
			4/2012	President & CEO, GlobalLogic Worldwide Holdings. Inc.		
			4/2022	Executive Advisor of Digital Systems & Services Division, Hitachi, Ltd.		
				President & CEO, GlobalLogic Inc.		
			10/2022	Executive Advisor of Digital Systems & Services Division, Hitachi, Ltd.		
				Chairman of the Board, GlobalLogic Inc.		
			10/2023	Executive Advisor of Digital Systems & Services Division, Hitachi, Ltd.		
				Executive Chairman of the Board, Hitachi Digital LLC		
				Chairman of the Board, GlobalLogic Inc.		
			4/2024	Senior Vice President and Executive Officer, Hitachi, Ltd.		
Senior Vice President and Executive Officer Sustainability strategies, environmental strategies, human capital strategies, safety and health management and diversity, equity & inclusion strategies	Lorena Dellagiovanna	Apr. 15, 1969	10/1988	Joined Hitachi Europe GmbH	(Note 2)	9,800
			4/2020	Chief Diversity & Inclusion Officer, Hitachi, Ltd. (currently in office)		
			4/2021	Vice President and Executive Officer, Hitachi, Ltd.		
			4/2023	Senior Vice President and Executive Officer, Hitachi, Ltd.		
Senior Vice President and Executive Officer Business for government, public corporation and social infrastructure systems and defense systems business; Assistant to Executive Vice President (Digital Systems & Services (Japan))	Katsuya Nagano	Aug. 30, 1958	4/1983	Joined Hitachi, Ltd.	(Note 2)	42,700
			4/2016	General Manager of Social Infrastructure Information Systems Division, Information & Communication Technology Business Division		
			4/2017	Vice President and Executive Officer		
			4/2021	Senior Vice President and Executive Officer		
Representative Executive Officer, Senior Vice President and Executive Officer Legal matters, risk management, corporate auditing, government & external relations and corporate communications strategies	Hidenobu Nakahata	Jan. 24, 1961	4/1983	Joined Hitachi, Ltd.	(Note 2)	60,300
			10/2013	Deputy General Manager, Human Capital Group		
			4/2014	Vice President and Executive Officer		
			4/2018	Senior Vice President and Executive Officer		

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer, Senior Vice President and Executive Officer Marketing & sales strategies	Masahiko Hasegawa	Sept. 17, 1964	4/1987 4/2018 4/2020 4/2022	Joined Hitachi, Ltd. General Manager of Kansai Area Operation Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	33,400
Senior Vice President and Executive Officer Power grids business	Claudio Facchin	Jun. 26, 1965	1/2016 7/2020 4/2021	President, Power Grids business, ABB Ltd. CEO, Hitachi ABB Power Grids Ltd (currently Hitachi Energy Ltd) (currently in office) Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	23,900
Senior Vice President and Executive Officer Railway systems business	Giuseppe Marino	Apr. 5, 1964	9/2005 11/2009 11/2015 4/2018 4/2019 10/2019 4/2023	Vice President Operating Europe & Middle East, Ingersoll Rand Security Technologies Senior Vice President & COO, AnsaldoBreda S.p.A. (currently Hitachi Rail STS S.p.A.) Senior Vice President & COO, Hitachi Rail Italy S.p.A. Group COO Rolling Stock, Hitachi Rail Europe Ltd. (currently Hitachi Rail Ltd.) COO Rolling Stock, Railway Systems Business Unit, Hitachi, Ltd. CEO, Ansaldo Energia S.p.A. Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	1,900
Vice President and Executive Officer Regional strategies (China)	Atsuhiko Aketa	Apr. 8, 1965	4/1988 4/2022 4/2023	Joined Hitachi, Ltd. CMO for Energy, Corporate Sales & Marketing Group, General Manager of Energy Sales & Marketing Division Vice President and Executive Officer	(Note 2)	3,800
Vice President and Executive Officer Urban business strategies and building systems business	Noriharu Amiya	Feb. 1, 1969	4/1992 4/2018 10/2019 4/2022	Joined Hitachi, Ltd. COO and CDO (Chief Digitalization Officer) of Railway Systems Business Unit General Manager of Management Planning Office, Strategy Planning Division Vice President and Executive Officer	(Note 2)	16,100
Vice President and Executive Officer Healthcare business and measurement and analysis systems business	Takashi Iizumi	Oct. 14, 1960	4/1985 4/2021 4/2022	Joined Hitachi, Ltd. President of Hitachi High-Tech Corporation (currently in office) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	7,500

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Nuclear energy business	Yasunori Inada	Sep. 9, 1966	4/1992 4/2017 4/2019 4/2020 4/2023	Joined Hitachi, Ltd. General Manager of Nuclear Engineering Procurement Division, Hitachi-GE Nuclear Energy, Ltd. Vice President and Director, Hitachi Plant Construction, Ltd. President and Representative Director, Hitachi Plant Construction, Ltd. Vice President and Executive Officer	(Note 2)	2,900
Vice President and Executive Officer Cost structure reform and information security management	Yoshiaki Kagata		4/1985 4/2020 4/2024	Joined Hitachi, Ltd. CPO, and General Manager of Value Integration Division Vice President and Executive Officer	(Note 2)	15,000
Vice President and Executive Officer Supply chain management (manufacturing strategies and quality assurance), environmental strategies and safety and health management	Tadashi Kume	Jan. 4, 1963	4/1986 4/2019 4/2020	Joined Hitachi, Ltd. COO, Nuclear Energy Business Unit Vice President and Executive Officer	(Note 2)	27,300
Vice President and Executive Officer Marketing & sales strategies (business for connective industries)	Takashi Saito	Jan. 6, 1964	4/1987 4/2020 4/2022	Joined Hitachi, Ltd. General Manager of Kansai Area Operation Vice President and Executive Officer	(Note 2)	15,400
Vice President and Executive Officer Digital strategies	Jun Taniguchi	Dec 3, 1972	4/1995 4/2018 4/2019 4/2022	Joined Hitachi, Ltd. General Manager of Information Control Systems Division 3, Control System Platform Division, Services & Platforms Business Unit President of Hitachi Global Life Solutions, Ltd. Vice President and Executive Officer of Hitachi, Ltd.	(Note 2)	7,700
Vice President and Executive Officer Regional strategies (APAC)	Kojin Nakakita	Sept. 28, 1963	10/1988 4/2017 6/2017 4/2019	Joined Hitachi, Ltd. Chairman of Hitachi Asia Ltd. (currently in office) Chairman of Hitachi India Pvt. Ltd. (currently in office) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	31,900
Vice President and Executive Officer Water & environment business	Hideshi Nakatsu	May. 10, 1967	10/1997 4/2016 4/2019 4/2021	Joined Hitachi Metals, Ltd. President and Representative Director, Hitachi Plant Services Co., Ltd. (Retired in March 2020) CEO, Water & Environment Business Unit, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	20,700

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Research & development	Itaru Nishizawa	Jul. 2, 1967	4/1996 4/2022 4/2023	Joined Hitachi, Ltd. General Manager, Center for Digital Services, Research & Development Group Vice President and Executive Officer	(Note 2)	6,900
Vice President and Executive Officer Information technology strategies	Seiichiro Nukui	Jan. 3, 1965	4/1988 2/2010 4/2015 4/2017 4/2019	Joined Accenture, Ltd. (Japan) Vice President of Company Executive, and General Manager of Communication, Electric, Media and High-tech Industry, Power & Industrial Equipment Division, Accenture Ltd. (Japan) Joined Hitachi, Ltd. Executive IT Strategist, Hitachi, Ltd. Urban Mobility Project Leader, Future Investment Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	31,300
Vice President and Executive Officer Regional strategies (EMEA)	Andrew Barr	Jan. 9, 1973	1/2002 1/2005 1/2014 5/2016 4/2019	Engineering Manager, Rolling Stock, UK Government Strategic Rail Authority Head of Maintenance Delivery [Rail Business], Hitachi Europe Ltd. COO, Hitachi Rail Europe Ltd. CEO, Ansaldo STS S.p.A. (Currently Hitachi Rail STS S.p.A.) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	21,700
Vice President and Executive Officer Digital Engineering business	Nitesh Banga	Mar. 4 1975	1/2012 7/2014 11/2016 6/2018 10/2022 4/2023 4/2024	Head of Global Sales, Business Platforms, Infosys Ltd. Vice President, Global Sales, Infosys Ltd. Senior Vice President, Productions and Platforms, Infosys Ltd. COO, GlobalLogic Inc. President & CEO, GlobalLogic Inc. Chief Growth Officer of Digital Systems & Services Division, Hitachi, Ltd. President & CEO, GlobalLogic Inc. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	4,000

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Government & external relations	Hirohide Hirai	Mar. 5, 1964	4/1987	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)	(Note 2)	900
			7/2020	Director-General for Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry		
			7/2021	Director-General for Industry Policy Bureau, Ministry of Economy, Trade and Industry		
			7/2022	Vice Minister for International Affairs, Ministry of Economy, Trade and Industry		
			7/2023	Special Advisor, Ministry of Economy, Trade and Industry		
			1/2024	Joined Hitachi, Ltd. Assistant to the President, Hitachi, Ltd.		
			4/2024	Vice President and Executive Officer, Hitachi, Ltd.		
Vice President and Executive Officer Cloud services platform business	Yoshinori Hosoya	Feb. 5, 1965	4/1988	Joined Hitachi, Ltd.	(Note 2)	19,900
			4/2021	COO, Social Infrastructure Systems Business Unit		
			4/2023	Vice President and Executive Officer		
Vice President and Executive Officer Marketing & sales strategies (business for digital systems & services) and social innovation business promotion	Chie Mashima (Name in the Family Register: Chie Aihara)	May. 20, 1966	4/1989	Joined Hitachi, Ltd.	(Note 2)	16,100
			4/2022	General Manager of Social Innovation Business Division, Digital Systems & Services Division		
			4/2023	Vice President and Executive Officer		
Vice President and Executive Officer Legal matters	Yuto Matsumura		4/1998	Admitted an Attorney-at -Law (Japan) Joined Mori Sogo Law Offices (currently Mori Hamada & Matsumoto)	(Note 2)	900
			2/2003	Admitted to New York State Bar		
			1/2005	Partner, Mori Hamada & Matsumoto		
			1/2015	Managing Partner, Mori Hamada & Matsumoto		
			4/2024	Vice President and Executive Officer, Hitachi, Ltd.		
Vice President and Executive Officer Business for industrial digital	Kazunobu Morita	May. 12, 1966	4/1991	Joined Mitsubishi Petrochemical Co., Ltd.	(Note 2)	20,700
			3/2004	Joined Hitachi, Ltd.		
			4/2019	CSO, Industry Business Division, Hitachi, Ltd.		
			4/2021	Vice President and Executive Officer, Hitachi, Ltd.		

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Marketing & sales strategies (business for energy) and energy business	Takashi Yoda	Aug. 22, 1966	4/1990 4/2018 4/2019	Joined Hitachi, Ltd. General Manager of Energy Business Co-Creation & Promotion Division, Power and Energy Business Administration Division Vice President and Executive Officer	(Note 2)	31,500
Total						1,004,500

(Notes) 1. The “Position and Responsibility” column describes the positions and matters delegated to each of the Executive Officers by the Board of Directors.
2. The term of office of the Executive Officers expires on March 31, 2025.

2) Independent Directors

(a) Qualification for the Independent Directors and criteria for the independency

For electing an Independent Director, the Nominating Committee of the Company considers, in addition to the following criteria for the independency, whether the Independent Director has the highest personal and professional ethics, integrity and insight, and distinguished records of leadership or experience at policy making levels in business, law, administration, accounting or education, etc.

For the independency of an Independent Director, the Company considers the Independent director to be independent unless:

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

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

(b) Function of the Independent Directors

Following the policy stated in "(a) Qualification for Independent Directors and criteria for the independency," the Company has elected nine persons; Messrs. Katsumi Ihara, Ravi Venkatesan, Ikuro Sugawara, Joe Harlan, Takatoshi Yamamoto, Hiroaki Yoshihara and Helmuth Ludwig and Ms. Cynthia Carroll and Louise Pentland, as outside Directors under Article 2, Item 15 of the Companies Act. The functions and roles expected to them are as follows:

Name	Function and Role
Katsumi Ihara	Mr. Ihara has rich experience and insight in the area of global corporate management gained through the involvement in management of major companies conducting diverse businesses globally. He is expected to leverage this experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by providing opinions and proposals regarding the general management of the Company and supervising the Executive Officers and others' execution of their duties from an independent perspective.
Ravi Venkatesan	Mr. Venkatesan has rich experience and insight in the area of global corporate management, digital business and emerging markets. He is expected to leverage this experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by providing opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the Executive Officers and others' execution of their duties from an independent perspective.

Name	Function and Role
Ikuro Sugawara	Mr. Sugawara has rich experience and insight in the area of public administration, etc. gained through leading positions at government agencies. He is expected to leverage this experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by providing opinions and proposals regarding the general management of the Company and supervising the Executive Officers and others' execution of their duties from an independent perspective.
Isabelle Deschamps	Ms. Deschamps has rich experience and insight in the area of corporate legal matters and corporate governance, having served as the chief legal officer of major global companies, etc. She is expected to leverage this experience and insight to reinforce the supervisory and making functional aspects of the Company's Board of Directors by providing opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the Executive Officers and other's execution of their duties from an independent perspective.
Joe Harlan	Mr. Harlan has rich experience and insight in the area of global corporate management gained through the involvement in management at major companies conducting diverse businesses globally. He is expected to leverage this experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by providing opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the Executive Officers and others' execution of their duties from an independent perspective.
Louise Pentland	Ms. Pentland has deep insight into corporate legal matters and corporate governance gained through her rich experience as the chief legal officer of major global companies. She is expected to leverage this experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by providing opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the Executive Officers and others' execution of their duties from an independent perspective.
Takatoshi Yamamoto	Mr. Yamamoto has broad range of insight in business and management gained through his experience in the area of corporate analysis and global corporate management. He is expected to leverage this experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by providing opinions and proposals regarding the general management of the Company and supervising the Executive Officers and others' execution of their duties from an independent perspective.
Hiroaki Yoshihara	Mr. Yoshihara has rich experience and insight in the area of global corporate management and accounting. He is expected to leverage this experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by providing opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the Executive Officers and others' execution of their duties from an independent perspective.

Name	Function and Role
Helmuth Ludwig	Mr. Ludwig has rich experience and insight in the area of global corporate management and digital business. He is expected to leverage this experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by providing opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the Executive Officers and others' execution of their duties from an independent perspective.

(c) Relationship between Independent Directors and the Company

Each of Independent Directors has no relationship with the Company regarding his or her independency as described in “(a) Qualification for the Independent Directors and criteria for the independency.” In addition, there is no particular conflict of interest between each of Independent Directors and the Company.

The Company considers that all Independent Directors are independent, and therefore has notified them as independent directors to each of the Company's listing stock exchanges in Japan.

In addition, the number of shares of the Company owned by each Independent Director is described in “1) Lists of directors and senior management.”

(d) Supervising by the Independent Directors

Independent Directors, comprising of majority of Directors, supervise execution of duties of Executive Officers from an independent perspective. As described in the item “(3) Audit,” the Audit Committee, of which majority members are Independent Directors, receives reports and explanations about results of internal audits, accounting audit and internal control audit, and verifies the matters reported or explained. In addition, the Audit Committee reports the results of its verification to the Board of Directors.

(3) Audit

1) Audit by the Audit Committee

The Audit Committee consists of five Directors, including four Independent Directors and one standing Audit Committee member, after the Board of Directors meeting held on June 21, 2024. The members of the committee are described in “(2) Directors and Senior Management - 1) Lists of directors and senior management - (a) Directors.”

Mr. Hiroaki Yoshihara, the Chair of the Audit Committee, has considerable knowledge of finance and accounting based on his long experience at KPMG Group with businesses related to accounting, etc. Mr. Mitsuaki Nishiyama, the standing Audit Committee member, has considerable knowledge of finance and accounting based on his long experience as chief of a finance and accounting department and as an Executive Officer in charge of a finance and accounting department.

The Audit Committee strives to fulfill the Company’s responsibilities to its shareholders, conducting audits to ensure the Directors and Executive Officers properly and validly carry out their administration of the Company in accordance with the audit policy and the audit plan established by the Audit Committee.

The members of the Audit Committee, who are in charge of internal inspections, examine the Business Units of the Company and receive reports from subsidiaries in order to check whether business transactions and property management are properly carried out. Furthermore, the standing Audit Committee member attends important meetings including the budget meeting, the Senior Executive Committee and the Disclosure Committee and keeps track of internal information.

The Hitachi Group promotes a tripartite audit system (including the audit by the Audit Committee, the internal audit and the audit by accounting auditors), with the goals of maintaining a high level of transparency and a proper degree of vigilance in the Hitachi Group as a whole and in each business and improving the effectiveness of internal control. Specifically, the Audit Committee receives reports on the audit plan and results of the audit by the internal audit division and provides instructions about key items, if necessary. The Audit Committee receives reports and explanations about the audit plan and results of the audit by the accounting auditor, and based on the reports, verifies the results of financial audits and internal control audits. In addition, the Audit Committee receives reports and explanations about the quality control systems of the accounting auditor. Furthermore, the Company makes it a rule to obtain the prior approval of the Audit Committee for remuneration paid to the accounting auditor.

The attendance record of each member of the Audit Committee during fiscal 2023 is as follows.

Name	Attendance / Number of days held the Audit Committee (Note 1)	Attendance rate (Note 1)
Katsumi Ihara	15 days / 15 days	100%
Ikuro Sugawara	15 days / 15 days	100%
Hiroaki Yoshihara	15 days / 15 days	100%
Helmuth Ludwig	15 days / 15 days	100%
Mitsuaki Nishiyama (Note 2)	9 days / 9 days	100%
Hideaki Seki (Note 3)	6 days / 6 days	100%

(Notes) 1. Based on the number of days the Audit Committee met during each member’s term of office.

2. Mr. Nishiyama was appointed on June 21, 2023.

3. Mr. Seki resigned on June 21, 2023.

During fiscal 2023, the Audit Committee engaged in a variety of activities to study priority matters such as strengthening a “tripartite audit”, facilitating information sharing as well as the auditing of the establishment and operation of internal control systems from the perspective of risk management and the validity of the execution of duties. In addition, a standing committee member worked to obtain information as needed in a timely and accurate manner, mainly by collaborating with the Internal Auditing Office, among other departments, and attending important internal meetings such as the Senior Executive Committee, and facilitated information sharing with other committee members.

2) Internal audit

The Internal Auditing Office is in charge of internal audits within the Hitachi Group and audits business units, corporate divisions of headquarters and subsidiaries and affiliates. The number of staff of the Internal Auditing Office was 43 as of March 31, 2024.

The Internal Auditing Office monitors and assesses whether overall business operations, including marketing, personnel management, labor management, compliance, procurement transactions,

development, production and quality control, environment, disaster prevention, export regulations, information system, financing activities, and property management of the Hitachi Group are properly carried out pursuant to audit standards established by the Company, and points out items required to be improved based on the results of auditing and follows up their improvements. The Internal Auditing Office reports in advance its internal audit plan to the Audit Committee, and reports the results of audits to the President and the Audit Committee. Although the internal audit plan and the results of internal audits are not directly reported to the Board of Directors, the member of the Audit Committee regularly reports to the Board of Directors the fact that the Internal Audit Office reports these contents to the Audit Committee and the details of discussions at the Audit Committee. Furthermore, relating to internal control over financial reporting, the internal control division in the Internal Audit Office establishes and maintains the internal control systems pursuant to the Company's guidelines, assesses their effectiveness, and reports the results to the President and the Audit Committee.

3) Accounting audit

(a) Name of accounting auditor

Ernst & Young ShinNihon LLC

(b) Consecutive term of service of the certified public accountants

The Fukase accounting firm of certified public accountants carried out an accounting audit of the Company in 1970. Subsequently, from 1971, accounting audits were conducted by Musashi Audit Corporation, which was established by the Fukase certified public accountants and others, and then from 1986 by Century Audit Corporation, into which Musashi Audit Corporation had been merged. Starting from 2000, accounting audits were conducted by Ota Showa Century Audit Corporation, into which Century Audit Corporation had been merged. Ota Showa Century Audit Corporation has been renamed Ernst & Young ShinNihon LLC, and this firm currently conducts the accounting audits of the Company. Since 2003, when Ernst & Young ("EY") has become the network firm partnering with the accounting auditor, Hitachi Group companies, including overseas companies, have uniformly selected EY as their accounting auditor on a global basis. This Company has been striving to ensure that the accounting auditor performs its duties properly from an independent standpoint, maintaining a proper degree of tension with the Company through a mutual assessment between the Company's finance division and the internal audit division and the accounting auditor, and through the Audit Committee's strong cooperation with the accounting auditor and its examination of the selection and reappointment of the accounting auditor.

At Ernst & Young ShinNihon LLC, engagement partners are rotated and no engagement partners are involved in accounting audits of the same company for more than seven consecutive fiscal years. No lead engagement partner is involved in accounting audits of the same company for more than five consecutive fiscal years. If an engagement partner is involved in accounting audits of the same company for seven consecutive years, he or she will be involved in accounting audits of that company only after an interval of five fiscal years. No lead engagement partner who is involved in accounting audits of the same company for five consecutive fiscal years will be involved in accounting audits of that company again.

(c) Certified public accountants (CPAs) who executed accounting audit

Koji Fujima, Teruyasu Omote, Shinya Yoshida

(d) Assistants for audit works

Forty-four CPAs and 95 staff belonging to Ernst & Young ShinNihon LLC assist in the execution of accounting audit work as instructed by the three CPAs mentioned in (c).

(e) Policy and reason for the selection of accounting auditors

With a view to ensuring the appropriate execution of duties by accounting auditors, the Audit Committee selects accounting auditors by considering such factors as quality control systems for accounting auditors, implementation systems for auditing and the level of audit fees.

In addition, the Audit Committee has prepared the following policies with respect to "policies for determining the removal and non-reappointment of accounting auditors" set forth in Item 4 of Article 126 of the Ordinance for Enforcement of the Companies Act.

- In the event the Audit Committee determines that the causes provided for in each item of Paragraph 1 of Article 340 of the Companies Act apply to an accounting auditor and the accounting auditor needs to be dismissed immediately, the Audit Committee shall dismiss the accounting auditor by unanimity. Should this occur, the Audit Committee member selected by the Audit Committee shall give a report on the dismissal of the accounting auditor and the

reason therefor at the first general meeting of shareholders to be convened after the said dismissal.

- Besides the case above, if it is determined that an accounting auditor should be replaced for such reason as the difficulty of ensuring an adequate performance of the duties by the accounting auditor, the Audit Committee shall determine the contents of the agenda item on the non-retention of the accounting auditor to be submitted to the general meeting of shareholders.

The Audit Committee comprehensively evaluated and examined Ernst & Young ShinNihon LLC from the perspectives of its history, business size, past audit performance and efforts to facilitate communication with the Audit Committee and other internal divisions, among other factors. As a result, the Audit Committee decided to select Ernst & Young ShinNihon LLC as the accounting auditor since the Audit Committee judged that none of the abovementioned policies applies to Ernst & Young ShinNihon LLC and therefore that the adequate performance of its duties by Ernst & Young ShinNihon LLC will continue to be secured.

(f) Evaluation of accounting auditor by the Audit Committee

The Audit Committee evaluated the appropriateness and relevance of the auditing conducted by the accounting auditor from the perspectives of the effectiveness of initiatives to facilitate communication with the Audit Committee and senior management in particular, the details and implementation of audit systems and auditing manuals and remuneration for auditing in accordance with the evaluation criteria the Audit Committee formulated in advance. To evaluate the accounting auditor, the Audit Committee gathered information on matters such as the independence of the accounting auditor, audit systems and the implementation of audits and the quality of said audits from the Accounting Control Department and the Internal Auditing Office. The Audit Committee also received reports from the accounting auditor regarding compliance with laws and regulations, including the accounting auditor's independence, methods for evaluating risks with respect to the acceptance and continuation of audit services, audit and inspection systems and quality control systems, and detailed audit plans based on the accounting auditor's evaluations of risks pertaining to the Company, as well as the results of audits and details of and progress with plans for improving business operations and auditing efficiency at the time of the completion of quarterly reviews and annual audits. Based on these reports, the Audit Committee concluded that the accounting auditor conducted highly transparent audits and its activities were appropriate and relevant.

4) Audit Fees

(a) Fees to accounting auditor

Category	Fiscal year ended March 31, 2024		Fiscal year ended March 31, 2023	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	574	(Note 1) 49	579	(Note 1) 46
Consolidated subsidiaries	445	(Note 2) 1	792	(Note 1) 16
Total	1,019	50	1,371	62

(Notes) 1. The non-audit services were mainly various consulting services and assurance engagements.

2. The non-audit services were mainly assurance engagements.

- (b) Audit fees (excluding the amount mentioned in (a)) to the Company's accounting auditor, Ernst & Young ShinNihon LLC Group (including EY and its group firms which belong to the same network as Ernst & Young ShinNihon LLC)

Category	Fiscal year ended March 31, 2024		Fiscal year ended March 31, 2023	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	-	(Note 1) 18	-	(Note 1) 79
Consolidated subsidiaries	4,505	(Note 2) 547	4,801	(Note 2) 594
Total	4,505	565	4,801	673

(Notes) 1. The non-audit services were mainly various consulting services.

2. The non-audit services were mainly various consulting services and assurance engagements.

- (c) Policy on determination of audit fees

To determine the amount of audit fees, the Company conducts interviews about the audit plan and verifies the efficiency of audit services, including the number of days and hours for auditing, the number of subjects to be audited and the scope of audits, in addition to the appropriateness of the estimate. The Company also holds discussions with the accounting auditor taking into consideration the formation of auditors and audit fees for the preceding fiscal year. In addition, the Audit Committee receives the audit plans of the accounting auditors and the results of discussions between the auditors and Executive Officers of the Company and approves the amount of the fees in advance of the Company's decision.

- (d) Reasons why the Audit Committee accepted the audit fees

The Audit Committee has obtained the necessary information and examined the status of the execution of duties by the accounting auditor, the content of the audit plan, and grounds for calculating the estimated amount of fees, etc. and concluded that these are reasonable. Therefore, the Audit Committee has given the consent with regard to the fees etc. to the accounting auditor, in accordance with Article 399, Paragraph 1 of the Companies Act.

(4) Compensation to Directors and Executive Officers

1) Policy on the determination of Compensation of Directors and Executive Officers

[Method of Determination of Policy]

The Company's Compensation Committee sets forth the Policy for Determining Individual Compensation of Directors and Executive Officer pursuant to the applicable provisions of the Companies Act.

[Basic Policy]

Compensation for Directors and Executive Officers shall be determined in accordance with the following key policy;

- Compensation shall be commensurate with the roles and responsibilities of each Director and Executive Officer.
- Compensation for Directors shall be such that it enables them to exercise the functions of supervision of management effectively.
- Compensation for Executive Officers shall be reflected by considering the following factors;
(Alignment with the Mid-Term Management Plan 2024)

In the Short-term incentive compensation and Long-term incentive compensation, set performance metrics toward the Mid-term Management Plan as Key Performance Indicators("KPIs") to encourage executives to achieve them.

(Establishment of compensation program and corporate performance program that foster a growth mindset)

Pursue an optimal balance between short and medium- to long-term performance with respect to "growth," "improving profitability" and "cash generation", aiming for improved short-term performance and medium to long-term growth in corporate value.

Establish a compensation program that significantly rewards performance by setting stretch goals and commensurate compensation levels.

(Setting indicators to promote sustainable management)

Develop specific indicators and goals related to "Environment," "Business with Integrity" and "Quality of life" under its sustainability strategy, and encourage their implementation.

(Expansion of stock compensation that rewards growth in corporate value over the medium- to long- term)

Expand stock compensation to better align with medium to long-term corporate value.

- Competitive compensation levels with a global perspective

Ensure competitive compensation levels to attract and retain key executives in the global market, regardless of their residence or origin, who can lead the management of a global organization.

- Compensation benchmarking with objectivity and transparency

Reference to the benchmarks in the US and European markets in addition to the benchmarks in the Japanese market for analysis and level-setting from multiple perspectives.

- Transparency and objectivity through enhanced compensation disclosure and shareholder engagement

Endeavor to gain investors' understanding and support through sufficient disclosure of the compensation program with a global perspective and ongoing shareholder engagement, and continuously improve the program based on the insights gained through the engagement.

[Compensation Structure]

(i) Matters relating to Directors

Compensation for Directors consists of basic remuneration and stock compensation as fixed pay. The basic amount of basic remuneration and stock compensation is set based on the ratio of 3:1 as the standard. A Director concurrently serving as an Executive Officer is not paid compensation as a Director.

The method of determination of each type of compensation is as follows.

Basic remuneration

- The amount of basic remuneration is decided by adjusting a basic amount to reflect full-time or part-time status, committee membership and position, and attendance of meetings, etc.

Stock compensation

- A restricted stock compensation unit will be granted as an incentive to offer management supervision and advice with an awareness of medium- and long-term improvements in corporate value. The units will become vested at the end of three fiscal years after granting, and common stocks or cash for the vested units will be delivered.
- The stock compensation described above is granted from the Directors to be elected at the 155th Annual General Meeting of Shareholders.

(ii)Matters relating to Executive Officers

► Compensation to Executive Officers (Fiscal 2023)

Basic compensation: short-term incentive: medium- and long-term incentive = 1:1.2:2* ratio				
Fixed pay		Variable pay		
1	2	3		
Basic compensation	Short-term incentive compensation	Medium- and long-term incentive compensation		

* For President & CEO

1

Basic compensation

Set according to the relevant position by adjusting that amount to reflect financial results and individual performance.

2

Short-term incentive compensation

	Short-term incentives (STI)			
President	Company-wide performance: 70%		Individual evaluation: 10%	Sustainability: 20%
Executive officers in charge of corporate affairs	Company-wide performance: 40%		Individual evaluation: 40%	Sustainability: 20%
Executive officers in charge of business	Company-wide performance: 30%	Divisional performance: 30%	Individual evaluation: 20%	Sustainability: 20%

3

Medium- and long-term incentive compensation

Medium- and long-term incentives (LTI)				
Compensation with incumbency condition: 30%		Compensation with stock price condition: 70%		When the Mid-term Management Plan targets are achieved Max. +20%
TSR growth rate				
TOPIX comparison	Global competitive comparison		ROIC +10%	

Compensation for Executive Officers consists of basic remuneration as fixed pay and short-term incentive compensation and medium- and long-term incentive compensation as variable pay. For President & CEO, the basic amount of basic remuneration, short-term incentive compensation, and medium- and long-term incentive compensation is set based on the ratio of 1:1.2:2.0 as the standard, taking into account the composition of executive compensation for major global companies including the U.S. and European companies, in order to improve corporate value through the growth of global businesses. The higher the position an Executive Officers holds, the higher the proportion of variable pay is set to the total annual compensation.

The method of determination of each type of compensation is as follows.

Basic remuneration

- The amount of basic remuneration is decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment.

Short-term incentive compensation

- The amount of short-term incentive compensation is decided within the range of 0 to 200% of a basic amount set according to the relevant position by adjusting that amount to reflect financial results and individual performance. Evaluation items and proportion of evaluation item are as shown in the following table.

Evaluation items		Proportion of evaluation item		
		President (CEO)	Executive officers in charge of business	Executive officers in charge of corporate affairs
Financial Performance	Corporate	70%	30%	40%
	Division	—	30%	—
Individual goals		10%	20%	40%
Sustainability measurement		20%	20%	20%

- The amount of the financial performance linked component varies according to the evaluation of corporate performance and division performance.
 - Corporate performance is evaluated using consolidated revenues, profit index and cash flow in order to measure the level of achievement of consolidated financial forecasts disclosed to stakeholders, including shareholders and investors.
 - Division performance is evaluated using consolidated revenues, profit index and cash flow in each division in order to measure the level of achievement of targets under the Mid-term Management Plan and the annual budgets for each division.
- The amount of the individual goals linked component varies according to the evaluation of the level of achievement of individual targets for each Executive Officer determined based on his/her responsibility.
- The amount of the sustainability measurement linked component varies according to the degree of achievement of the numerical goals for materiality which are established under the sustainability strategy.

Medium- and Long-term incentive compensation

- The target amount (Medium- and Long-term incentive compensation target (“LTI target”)) is decided based on the positions of Executive Officers, and the shares of Restricted Stock (“RS”) compensation with an incumbency condition and Performance-linked Restricted Stock (“Performance-linked RS”) compensation are granted in order to propel management from a long-term perspective and to provide incentives to bring about a sustainable increase in corporate value by further promoting senior management’s shared values with shareholders through the holding of shares during their term of office. The conditions, the grant ratio to LTI target and grant date of RS and Performance-Linked RS compensation are as follows;

Type of stock compensation	Condition		The grant ratio to LTI target	Grant date of Restricted Stock
Restricted Stock Compensation	Incumbency condition		30%	Every Fiscal Year
Performance-linked Restricted Stock	Stock price condition		70%	After the end of the three fiscal years beginning with the base fiscal year
	Conditions for achievement of Mid-term Management Plan targets	ROIC	10%	After the end of the final fiscal year of the Mid-term Management Plan period
		Sustainability targets	10%	

- In RS compensation, the shares of RS equivalent to 30% of the LTI target are granted and the restriction on the shares is lifted depending on the tenure of each executive over the three fiscal years from the beginning of the fiscal year when the RS is granted.

- In Performance-linked RS compensation, the shares of Performance-linked RS Compensation will be granted depending on the degree of achievement of the evaluation KPI during a certain evaluation period, and the restriction on transfer will be lifted upon retirement. Performance-linked RS compensation comprises of compensation with a stock price condition and compensation with conditions related to the achievement of Mid-term Management Plan targets.
 - In stock compensation with a stock price condition, Performance Share Units (“PSUs”) equivalent to 70% of the LTI target are granted. The shares of restricted stock equivalent to 0 ~ 200% of the PSUs are granted in accordance with the results of comparing the Total Shareholder Return growth rate of the Company stock with the TOPIX growth rate (“TSR/TOPIX Growth Rate Ratio”) and with the %ile rank of the Total Shareholder Return growth rate of the Company among the global comparable companies determined by the Compensation Committee (“Global Competitive Comparison”). The evaluation period is the three fiscal years beginning at the fiscal year to which the PSUs are granted. For Executive Officers who retire before the end of the evaluation period, ex-post evaluation is conducted by subtracting the number of shares obtained by multiplying the ratio of their tenure to the evaluation period.
 - In stock compensation with conditions related to the achievement of Mid-term Management Plan targets, PSUs equivalent to 20% of the LTI target are granted. The shares of restricted stock equivalent to the PSUs are granted when the target of ROIC and sustainability indicators during the period of Mid-term Management Plan covering the fiscal year when the PSUs are granted are achieved.
- If it is deemed inappropriate to grant shares of restricted stock due to laws and regulations in the country of residence, etc., a cash award based on the value of the Company’s share price shall be substituted for restricted stock.
- From Fiscal 2019, shares of restricted stock have been granted in place of the stock options as stock-based compensation the Company has granted until then. From Fiscal 2023, the medium- and long-term compensation described above is granted.

If it is found that an executive officer has engaged in misconduct during his/her term of office, compensation for Executive Officers that has already been paid shall be returned to the Company.

With regard to persons who are hired externally such as foreign persons, a compensation package could be individually determined based on the level of compensation in a job market which is considered for compensation benchmarking while referring the above policy. The Company grants restricted stock units to non-Japanese Executive Officers as medium- and long-term incentive compensation. One third of vested restricted stock units are delivered in the form of common stocks of the Company and cash each fiscal year over three years from the beginning of the fiscal year containing the day on which restricted stock units are granted.

2) Amount of compensation

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)				Number of persons
		Fixed pay	Variable pay		Others	
			Short-term incentive compensation	Medium- and long-term incentive compensation		
Directors (excluding Independent Directors)	60	60	—	—	—	2
Independent Directors	418	418	—	—	—	9
Executive Officers	5,781	1,569	2,087	1,908	215	35
Total	6,261	2,049	2,087	1,908	215	46

(Notes) 1. The number of Directors indicated excludes two Directors who serve or served concurrently

as Executive Officers.

2. Fixed pay and short-term incentive compensation consist of monetary compensation, and medium- and long-term incentive compensation consists of non-monetary compensation and monetary compensation.
3. The “Others” column presents the fringe benefit equivalent, etc.

Performance indicators referred to in company performance evaluations for short-term incentive compensation are as follows.

Indicators	Fiscal year ended March 31, 2024	
	Target	Results
Consolidated revenues (Note)	7,840 billions of yen	8,654.3 billions of yen
Revenues of Lumada business (Note)	2,280 billions of yen	2,334.0 billions of yen
Adjusted EBITA margin (Note)	10.2%	10.1%
Earnings per Share	533 yen	634 yen
Core free cash flows	310.0 billions of yen	571.4 billions of yen

(Note) Excluding Hitachi Astemo

The results of Performance Indicators for each medium- and long-term incentive compensation are as follows.

Name	Performance Indicators	Term	The result of Performance Indicators
The First Stock Acquisition Rights of Hitachi, Ltd.	TSR/TOPIX Growth Rate Ratio	From April 1, 2016 to March 29, 2019	125.8%
The Second Stock Acquisition Rights of Hitachi, Ltd.		From March 31, 2017 to March 31, 2020	121.6%
The Third Stock Acquisition Rights of Hitachi, Ltd.		From March 30, 2018 to March 31, 2021	120.5%
Restricted Stocks issued in May 2019	TSR/TOPIX Growth Rate Ratio	From April 1, 2019 to March 31, 2022	146.7%
Restricted Stocks issued in May 2020		From April 1, 2020 to March 31, 2023	167.2%
Restricted Stocks issued in June 2021		From April 1, 2021 to March 31, 2024	205.8%
Restricted Stocks issued in June 2022		From April 1, 2022 to March 31, 2024 (Note)	163.6%
Performance-linked Restricted Stock Compensation granted in April 2023	TSR/TOPIX Growth Rate Ratio	From April 1, 2023 to March 31, 2024 (Note)	137.2%
	Global Competitive Comparison	From April 1, 2023 to March 31, 2024 (Note)	100%ile

(Note) These are calculated to determine the number of shares to be lifted from transfer restriction under RS compensation or the number of shares to be issued under Performance-linked RS compensation to be held by individuals who retired from Executive Officers, Directors or Corporate officers of the Company on March 31, 2024.

In addition, Directors or Executive Officers whose compensation from the Company and its subsidiaries is not less than ¥100 million and the amount of their compensation are as follows:

Name	Company	Category	Total amount of each type (Millions of yen)				Total amount of compensation, etc. (Millions of yen)
			Fixed pay	Variable pay		Others (Note 3)	
				Short-term incentive compensation (Note 1)	Medium and Long-term incentive compensation (Note 2)		
Toshiaki Higashihara	The Company	Executive Officer (Note 4)	102	161	202	-	466
Keiji Kojima	The Company	Executive Officer (Note 4)	150	231	226	-	607
Masakazu Aoki	The Company	Executive Officer	56	78	83	-	234
	Hitachi Global Life Solutions, Inc.	Director	4	3	-	-	
	Hitachi High-Tech Corporation	Chairman	4	3	-	-	
Yoshihiko Kawamura	The Company	Executive Officer	54	91	74	-	223
	Hitachi Astemo, Ltd. (Note 5)	Chairman	2	-	-	-	
Alistair Dormer	The Company	Executive Officer	149	262	54	40	878
	Hitachi Europe Ltd. (Note 6)	Chairman of the Board	49	85	222	13	
Toshiaki Tokunaga	The Company	Executive Officer	66	90	93	-	250
Jun Abe	The Company	Executive Officer	45	51	59	-	159
	Hitachi Information & Telecommunication Engineering, Ltd.	Director	2	1	-	-	
Lorena Dellagiovanna	The Company	Executive Officer	68	111	111	130	426
	Hitachi Industrial Equipment Systems Co., Ltd.	Director	3	2	-	-	
Katsuya Nagano	The Company	Executive Officer	48	62	59	-	169
Hidenobu Nakahata	The Company	Executive Officer	48	59	59	-	167
Masahiko Hasegawa	The Company	Executive Officer	44	59	53	-	162
	Hitachi High-Tech Corporation	Director	3	2	-	-	
Claudio Facchin	The Company	Executive Officer	34	65	141	45	906
	Hitachi Energy Ltd (Note 6)	CEO	104	205	173	135	
Giuseppe Marino	Hitachi Rail Ltd. (Note 6)	Director	77	135	48	61	322
Mamoru Morita	The Company	Executive Officer	48	59	52	-	160

Name	Company	Category	Total amount of each type (Millions of yen)				Total amount of compensation, etc. (Millions of yen)
			Fixed pay	Variable pay		Others (Note 3)	
				Short-term incentive compensation (Note 1)	Medium and Long-term incentive compensation (Note 2)		
Noriharu Amiya	The Company	Executive Officer	34	37	31	-	105
	Hitachi Power Solutions Co., Ltd.	Director	1	0	-	-	
Takashi Iizumi	The Company	Executive Officer	3	4	2	-	107
	Hitachi High-Tech Corporation	President and Director	32	39	24	-	
Hitoshi Ito	The Company	Executive Officer	36	39	31	-	106
Tatsuro Ueda	The Company	Executive Officer	34	40	36	-	113
	Hitachi Channel Solutions, Corp.	Director	1	0	-	-	
Kenji Urase	The Company	Executive Officer	33	36	31	-	104
	Hitachi Power Solutions Co., Ltd.	Director	1	0	-	-	
	Hitachi Power Semiconductor Device, Ltd.	Director	1	0	-	-	
Tomomi Kato	The Company	Executive Officer	36	41	31	-	109
Tadashi Kume	The Company	Executive Officer	33	38	36	-	111
	Hitachi Industrial Products, Ltd.	Director	2	1	-	-	
Kohei Kodama	The Company	Executive Officer	36	37	31	-	105
Takashi Saito	The Company	Executive Officer	36	35	31	-	103
Kenichi Tanaka	The Company	Executive Officer	34	39	27	-	103
	Hitachi Management Partner Corp.	Director	1	0	-	-	
Jun Taniguchi	Hitachi Digital LLC (Note 6)	CEO	36	42	27	29	135
Kojin Nakakita	The Company	Executive Officer	-	-	19	-	186
	Hitachi Asia Ltd. (Note 6)	Chairman	36	39	43	47	
Hideshi Nakatsu	The Company	Executive Officer	36	37	36	-	109
Seiichiro Nukui	The Company	Executive Officer	36	39	36	-	111
Andrew Barr	Hitachi Europe Ltd. (Note 6)	President	79	43	132	19	275

Name	Company	Category	Total amount of each type (Millions of yen)				Total amount of compensation, etc. (Millions of yen)
			Fixed pay	Variable pay		Others (Note 3)	
				Short-term incentive compensation (Note 1)	Medium and Long-term incentive compensation (Note 2)		
Chie Mashima	The Company	Executive Officer	33	38	26	-	101
	Hitachi Systems, Ltd.	Director	2	1	-	-	
Shinya Mitsudomi	The Company	Executive Officer	15	18	31	-	107
	Hitachi Building Systems Co., Ltd.	President and Director	18	19	-	-	
	Hitachi Global Life Solutions, Inc.	Director	2	1	-	-	
Masashi Murayama	The Company	Executive Officer	36	37	31	-	105
Kazunobu Morita	The Company	Executive Officer	32	38	36	-	106
Takashi Yoda	The Company	Executive Officer	34	35	36	-	108
	Hitachi Power Solutions Co., Ltd.	Director	1	0	-	-	

- (Notes) 1. Compensations from the Company and consolidated subsidiaries paid depending on financial results and individual performance in the short term are collectively called incentive compensation.
2. Medium- and long-term incentive compensation is restricted stock compensation, performance-linked restricted stock compensation, restricted stock units or cash award based on the value of the Company's share price.
3. The "Others" column shows the fringe benefit equivalent, etc.
4. Although concurrently serving as Director for the fiscal year ended March 31, 2024, Messrs. Toshiaki Higashihara and Keiji Kojima did not receive compensation as Directors.
5. Hitachi Astemo, Ltd. ceased to be a consolidated subsidiary of the Company and became an equity-method associate of the Company following the partial transfer of its shares on October 16, 2023.
6. The amount of the remuneration, etc. from foreign subsidiaries is shown as the yen equivalent.

3) Authorities, roles and activities of the Compensation Committee

The Compensation Committee, which was established under the Companies Act, includes Independent Directors that represent a majority of committee members, holds the legal authority to determine remuneration for Directors and Executive Officers, and strives to ensure the objectivity, transparency and fairness of the remuneration determination processes. The Compensation Committee has the authority to determine remuneration policies and the details of remuneration (amount of compensation, etc.) of Directors and Executive Officers individually based on the policies. The Committee judged that the respective amount of compensation, etc. for the current period of each Director and Executive Officer was in line with the Compensation Policy because the Committee confirms and reviews processes and details with respect to the assessment of fixed pay amounts, evaluation of performance and individual targets related to short-term incentive compensation for Executive Officer. The members and activities of the Compensation Committee are described in "(1) Corporate governance - 2) Outline of corporate organizations".

(5) Information on shareholdings

(a) Criteria for classification of investment securities

The Company classifies investment securities that it holds into two types. If investment securities are held for the purpose of receiving benefits exclusively through stock price fluctuations or dividends, those are classified as investment securities for pure investment and the rest of investment securities are classified as investment securities owned for other purposes than pure investment.

(b) Investment securities held for purposes other than pure investment

(i) Policy for shareholding and examination of the reasonableness of holding

Under the basic policy, the Company will not acquire and hold other companies' shares except for cases where acquiring or holding such shares is necessary in terms of transactions or business relationships. The Company will seek to sell reducing shares that it already owns unless the significance and economic rationale of holding the shares are confirmed.

The Board of Directors verifies whether it is appropriate to hold shares for all stock the Company owns every year. In making this verification, each individual stock is re-examined as to the purpose of holding the shares and whether the benefits from holding the shares are in line with the target level of capital efficiency. As the result of the verification, the Company seeks to sell shares for which significance of holding shares and economic rationale of holding the shares are not confirmed. Details of shares sold in the fiscal year ended March 31, 2024, are presented in (ii) below.

(ii) Number of stock names and balance sheet amount

	Number of stock names (stock names)	Total amount recorded in the balance sheet (millions of yen)
Unlisted stocks	122	20,445
Others	35	45,889

<Stock holding increased in the fiscal year ended March 31, 2024>

	Number of stock names (stock names)	Total purchase price for the shares increased (millions of yen)	Reasons of increase
Unlisted stocks	1	93	Purchasing for strengthening and maintaining relationship for business and business transactions
Others	1	18	Increase due to dividend in kind

<Stock holding decreased in the fiscal year ended March 31, 2024>

	Number of stock names (stock names)	Total selling price for the shares decreased (millions of yen)
Unlisted stocks	11	660
Others	7	222,876

(iii) The number and the amount recorded in the balance sheet, etc. of specified investment securities

Specified investment securities

Stock name	Fiscal year ended March 31, 2024 (Note 1)	Fiscal year ended March 31, 2023 (Note 1)	Purpose of holdings, the summary of business alliance and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Central Japan Railway Company	4,500,000	900,000	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business (Note 4)	No
	16,767	14,229		
DAIICHI SANKYO COMPANY, LIMITED	900,000	900,000	Maintaining and enhancing business transactions of selling products and providing services in Industrial Digital business	No
	4,299	4,339		
The Chiba Bank, Ltd.	3,000,000	3,000,000	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
	3,784	2,565		
Sapporo Holdings Limited	597,600	597,600	Maintaining and enhancing business transactions of selling products and providing services in Industrial Digital business	Yes (Note 3)
	3,604	2,034		
Seibu Holdings Inc.	1,286,900	1,286,900	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	No
	3,117	1,748		
Soracom, Inc.	962,400	—	Maintaining and enhancing business transactions of selling products and providing services in Social Infrastructure Information Systems (Note 5)	No
	2,091	—		
Ono Pharmaceutical Co., Ltd.	600,000	600,000	Maintaining and enhancing business transactions of selling products and providing services in Industrial Digital business	Yes
	1,472	1,658		
West Japan Railway Company	430,000	215,000	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business (Note 4)	No
	1,348	1,173		
Electric Power Development Co., Ltd.	523,280	523,280	Maintaining and enhancing business transactions of selling products and providing services in Energy Business	Yes
	1,306	1,115		

Stock name	Fiscal year ended March 31, 2024 (Note 1)	Fiscal year ended March 31, 2023 (Note 1)	Purpose of holdings, the summary of business alliance and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Kyoto Financial Group, Inc.	400,000	—	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business (Notes 4, 7)	No
	1,104	—		
Seiko Electric Co., Ltd.	830,320	830,320	Maintaining and enhancing business transactions of selling products and providing services in Social Infrastructure Information Systems	Yes
	1,061	843		
Keio Corporation	206,574	206,574	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	Yes
	861	959		
TOKYU CORPORATION	394,016	394,016	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	Yes (Note 3)
	726	694		
Taragaon Regency Hotel	528,351	508,030	Acquired as a result of substitute performance for past accounting receivables in Industrial Digital business (Note 6)	No
	475	239		
Kintetsu Group Holdings Co., Ltd.	104,291	104,291	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	No
	464	444		
The Keiyo Bank, Ltd.	550,275	550,275	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	Yes
	419	311		
Keihan Holdings Co., Ltd.	121,927	121,927	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	No
	413	421		
TOMONY Holdings, Inc.	679,200	679,200	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	Yes (Note 3)
	283	239		
Cybertrust Japan Co., Ltd.	128,000	64,000	Maintaining and enhancing business transactions of selling products and providing services in Cloud Services Platform Business (Note 4)	No
	232	100		

Stock name	Fiscal year ended March 31, 2024 (Note 1)	Fiscal year ended March 31, 2023 (Note 1)	Purpose of holdings, the summary of business alliance and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
euglena Co., Ltd.	375,000	375,000	Maintaining and enhancing cooperative relationship in the area of R&D in Water & Environment business	No
	227	352		
Aichi Financial Group, Inc.	74,112	74,112	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
	196	159		
Nippon Yakin Kogyo Co., Ltd.	40,425	40,425	Maintaining and enhancing business transactions of selling products and providing services in Industrial Digital business	No
	193	172		
Tochigi Bank, Ltd.	513,150	513,150	Maintaining and enhancing business transactions of purchasing raw materials and components, etc. in Financial Information Systems business	No
	186	140		
Kita-Nippon Bank, Ltd.	73,500	73,500	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	Yes
	180	145		
THE SHIGA BANK, LTD.	40,000	40,000	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	Yes
	167	107		
San ju San Financial Group, Inc.	73,623	73,623	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
	153	116		
Daido Signal Co., Ltd.	300,000	300,000	Maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	No
	135	129		
THE TAIKO BANK, LTD.	88,000	88,000	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
	134	97		
INNORULES CO., LTD.	150,000	150,000	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
	131	179		

Stock name	Fiscal year ended March 31, 2024 (Note 1)	Fiscal year ended March 31, 2023 (Note 1)	Purpose of holdings, the summary of business alliance and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Senshu Ikeda Holdings, Inc.	315,327	315,327	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
	124	73		
THE DAITO BANK, LTD.	110,000	110,000	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
	84	70		
THE BANK OF KOCHI, LTD.	69,900	69,900	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
	73	47		
Tomato bank, Ltd.	30,000	30,000	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
	38	30		
Nishi-Nippon Railroad Co., Ltd.	6,000	6,000	Maintaining and enhancing business transactions of selling products and providing services in Social Infrastructure Systems business	No
	15	14		
Procrea Holdings, Inc.	5,211	5,211	Maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	No
	9	10		
Renesas Electronics Corporation	—	61,990,548	Acquired and held in relation to the reorganization, etc. of Renesas Technology Corp. which was an affiliate of the Company	No
	—	118,618		
Mitsubishi HC Capital Inc.	—	57,688,280	Acquired and held in relation to the reorganization, etc. of Hitachi Capital Corp. which was an affiliate of the Company	No
	—	39,458		
Western Digital Corporation	—	3,125,000	Acquired and held in relation to the reorganization, etc. of Hitachi Global Storage Technologies, Inc. which was a subsidiary of the Company	No
	—	15,556		
East Japan Railway Company	—	406,200	Held for maintaining and enhancing business transactions of selling products and providing services in Railway Systems business	No
	—	2,979		

Stock name	Fiscal year ended March 31, 2024 (Note 1)	Fiscal year ended March 31, 2023 (Note 1)	Purpose of holdings, the summary of business alliance and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
The Bank of Kyoto, Ltd.	—	100,000	Held for maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business (Note 7)	No
	—	625		
Tosoh Corporation	—	328,500	Held for maintaining and enhancing business transactions of selling products and providing services in Industrial Digital business	No
	—	590		
ANA HOLDINGS INC.	—	50,000	Held for maintaining and enhancing business transactions of selling products and providing services in Industrial Digital business	No
	—	143		
Tokyo Kiraboshi Financial Group, Inc.	—	30,000	Held maintaining and enhancing business transactions of selling products and providing services in Financial Information Systems business	Yes (Note 3)
	—	78		

- (Notes) 1. Since the number of issues which the Company owned as of March 31, 2023 and March 31, 2024 is less than 60, all of the stocks are listed.
2. Since it is hard to state the quantitative effects of holding the investment securities, such effects are not described. The means of verifying the significance and relations of holding shares are described in "(i) Policy for shareholding and examination of the reasonableness of holding."
3. The shareholding of major subsidiaries of the issuers of each stock is included.
4. The number of shares held by the Company increased due to the stock split.
5. The classification was changed to specified investment securities due to its new listing in the fiscal year ended March 31, 2024.
6. The number of shares held by the Company increased due to the dividend in kind.
7. Kyoto Financial Group, Inc. stock was allotted in return for The Bank of Kyoto, Ltd. stock through share transfer.

(c) Investment securities held for pure investment
None.

V. Financial Information

Refer to the consolidated financial statements incorporated in this Annual Securities Report.

VI. Stock-Related Administration for the Company

Fiscal year	From April 1 to March 31
Annual General Meeting of Shareholders	To be held within three months from the following day of the end of every fiscal year
Record date	End of every fiscal year
Record date for distribution of surplus	End of March and end of September
Number of shares constituting one unit	100 shares
Purchase and sale of shares less than one unit	
Handling office	(Special account) 11, Kanda Nishikicho 3-chome, Chiyoda-ku, Tokyo Main Office, Tokyo Securities Transfer Agent Co., Ltd.
Transfer agent	(Special account) Tokyo Securities Transfer Agent Co., Ltd.
Forward office	-
Purchasing and selling fee	Free of charge
Method of public notice	The Company's method of public notice is through electronic public notice. However, if the Company cannot use the above-mentioned method of public notice due to an accident or other inevitable reasons, Nihon Keizai Shimbun will be adopted as its medium.
Special benefit for Shareholders	None

- (Notes)
- Under the Articles of Incorporation, distribution of surplus through dividend payment, if any, will be made to shareholders of record as of March 31 and September 30 of each year. In addition, the Company may make further distributions of surplus to shareholders of record as of another record date.
 - The Articles of Incorporation provide that a holder of shares representing less than one unit does not have any other rights of a shareholder in respect of those shares, other than those specified in the Articles of Incorporation. This includes:
 - Rights under each item of Article 189, Paragraph 2 of the Companies Act;
 - Rights to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders; or
 - Rights stipulated in the Articles of Incorporation

VII. Reference Information on the Company

1. Information on a Parent Company, etc. of the Company

The Company has no parent company.

2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2024 to the filing date of this Annual Securities Report.

- | | |
|---|---|
| (1) Annual Securities Report and documents attached, and Confirmation Letter
(The 154th business term (from April 1, 2022 to March 31, 2023)) | Filed with the Director of the Kanto Local Finance Bureau on June 21, 2023 |
| (2) Internal Control Report | Filed with the Director of the Kanto Local Finance Bureau on June 21, 2023 |
| (3) Shelf Registration Statement (Straight Bonds) and documents attached | Filed with the Director of the Kanto Local Finance Bureau on June 23, 2023 |
| (4) Quarterly Report and Confirmation Letter
The First Quarter of the 155th business term (from April 1, 2023 to June 30, 2023)

The Second Quarter of the 155th business term (from July 1, 2023 to September 30, 2023)

The Third Quarter of the 155th business term (from October 1, 2023 to December 31, 2023) | Filed with the Director of the Kanto Local Finance Bureau on August 8, 2023
Filed with the Director of the Kanto Local Finance Bureau on November 10, 2023
Filed with the Director of the Kanto Local Finance Bureau on February 9, 2024 |
| (5) Extraordinary Report
Extraordinary Report pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.

Extraordinary Report pursuant to Article 19, Paragraph 2, Item 7 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.

Extraordinary Report pursuant to Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.

Extraordinary Report pursuant to Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc. | Filed with the Director of the Kanto Local Finance Bureau on June 22, 2023

Filed with the Director of the Kanto Local Finance Bureau on October 27, 2023

Filed with the Director of the Kanto Local Finance Bureau on January 26, 2024

Filed with the Director of the Kanto Local Finance Bureau on January 31, 2024 |
| (6) Amended Extraordinary Report
Amendment to Extraordinary Report filed on October 27, 2023 | Filed with the Director of the Kanto Local Finance Bureau on January 26, 2024 |

- | | |
|---|--|
| <p>(7) Report for Share Repurchase
Report for Share Repurchase pursuant to Article 24-6, Paragraph 1 of
Financial Instruments and Exchange Act</p> | <p>Filed with the Director of the
Kanto Local Finance Bureau
on July 7, 2023
August 8, 2023
September 8, 2023
October 10, 2023
November 9, 2023
December 8, 2023
January 11, 2024
February 9, 2024
March 8, 2024
April 10, 2024
May 13, 2024 and
June 10, 2024</p> |
| <p>(8) Securities Registration Statement and documents attached</p> | <p>Filed with the Director of the
Kanto Local Finance Bureau
on April 26, 2024</p> |
| <p>(9) Amended Shelf Registration Statement
(Amended Shelf Registration Statement concerning the Shelf
Registration Statement filed on June 23, 2023)</p> | <p>Filed with the Director of the
Kanto Local Finance Bureau
on September 28, 2023
October 27, 2023
November 16, 2023
January 26, 2024 and
January 31, 2024</p> |
| <p>(10) Shelf Registration Supplements and documents attached
(Unsecured Straight Bonds, 21st Series)</p> <p>Shelf Registration Supplements and documents attached
(Unsecured Straight Bonds, 22nd Series and Unsecured Straight Bonds
23rd Series)</p> | <p>Filed with the Director of the
Kanto Local Finance Bureau
on December 7, 2023</p> <p>Filed with the Director of the
Kanto Local Finance Bureau
on December 7, 2023</p> |

Part II Information on Guarantors, etc. for the Company
Not applicable.

Consolidated Financial Statements

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Consolidated Financial Statements

Consolidated Statement of Financial Position

Millions of yen

	Note	March 31, 2024	March 31, 2023
Assets			
Current assets			
Cash and cash equivalents	25	705,367	833,283
Trade receivables and contract assets	6,20,25	2,991,316	2,874,987
Inventories	7	1,510,647	1,646,188
Investments in securities and other financial assets	11,25	331,280	346,916
Other current assets		315,987	227,161
Total current assets		5,854,597	5,928,535
Non-current assets			
Investments accounted for using the equity method	5,8	816,434	478,620
Investments in securities and other financial assets	11,25	320,101	496,897
Property, plant and equipment	9	1,221,842	1,700,471
Goodwill	10	2,371,678	2,165,350
Other intangible assets	10	1,178,750	1,244,688
Other non-current assets	12	457,882	486,853
Total non-current assets		6,366,687	6,572,879
Total assets		12,221,284	12,501,414
Liabilities			
Current liabilities			
Short-term debt	25	37,827	777,650
Current portion of long-term debt	25	187,486	141,861
Other financial liabilities	25	266,245	263,748
Trade payables	13	1,399,699	1,548,497
Accrued expenses		697,471	720,961
Contract liabilities	20	1,658,435	1,241,366
Other current liabilities	14	555,437	472,095
Total current liabilities		4,802,600	5,166,178
Non-current liabilities			
Long-term debt	25	954,709	1,293,837
Retirement and severance benefits	15	246,231	323,264
Other non-current liabilities	8,12,14,25	358,141	382,568
Total non-current liabilities		1,559,081	1,999,669
Total liabilities		6,361,681	7,165,847
Equity			
Hitachi, Ltd. stockholders' equity			
Common stock	16,19	463,417	462,817
Capital surplus	5,16,19,25	-	-
Retained earnings	16,18	4,084,729	3,637,184
Accumulated other comprehensive income	17	1,160,550	846,392
Treasury stock, at cost	16	(4,991)	(3,539)
Total Hitachi, Ltd. stockholders' equity		5,703,705	4,942,854
Non-controlling interests	5,25	155,898	392,713
Total equity		5,859,603	5,335,567
Total liabilities and equity		12,221,284	12,501,414

See accompanying notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

Years ended March 31, 2024 and 2023

Millions of yen

	Note	2024	2023
Revenues	20	9,728,716	10,881,150
Cost of sales		(7,146,629)	(8,192,063)
Gross profit		2,582,087	2,689,087
Selling, general and administrative expenses		(1,826,271)	(1,940,943)
Other income	5,21	116,653	302,196
Other expenses	5,15,21	(97,184)	(245,016)
Financial income	22	17,388	7,878
Financial expenses	22	(10,015)	(20,417)
Share of profits (losses) of investments accounted for using the equity method	8	75,284	52,847
EBIT (Earnings before interest and taxes)		857,942	845,632
Interest income		38,781	25,652
Interest charges		(70,922)	(51,313)
Income before income taxes		825,801	819,971
Income taxes	12	(199,053)	(116,101)
Net income		626,748	703,870
Net income attributable to:			
Hitachi, Ltd. stockholders		589,896	649,124
Non-controlling interests		36,852	54,746
Earnings per share attributable to Hitachi, Ltd. stockholders	23		Yen
Basic		634.57	684.55
Diluted		633.75	683.89

Consolidated Statement of Comprehensive Income

Years ended March 31, 2024 and 2023

Millions of yen

	Note	2024	2023
Net income		626,748	703,870
Other comprehensive income (OCI)	17		
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		45,156	21,484
Remeasurements of defined benefit plans		13,872	40,202
Share of OCI of investments accounted for using the equity method		1,437	1,511
Total items not to be reclassified into net income		60,465	63,197
Items that can be reclassified into net income			
Foreign currency translation adjustments		354,395	232,360
Net changes in cash flow hedges		14,915	7,265
Share of OCI of investments accounted for using the equity method		22,025	14,595
Total items that can be reclassified into net income		391,335	254,220
Other comprehensive income (OCI)		451,800	317,417
Comprehensive income		1,078,548	1,021,287
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		1,013,811	905,819
Non-controlling interests		64,737	115,468

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended March 31, 2024

Millions of yen

2024								
	Common stock (note 16)	Capital surplus (note 16)	Retained earnings (notes 16 and 18)	Accumulated other comprehensive income (note 17)	Treasury stock, at cost (note 16)	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 5)	Total equity
Balance at beginning of year	462,817	-	3,637,184	846,392	(3,539)	4,942,854	392,713	5,335,567
Changes in equity								
Reclassified into retained earnings	-	-	110,653	(110,653)	-	-	-	-
Net income	-	-	589,896	-	-	589,896	36,852	626,748
Other comprehensive income	-	-	-	423,915	-	423,915	27,885	451,800
Dividends to Hitachi, Ltd. stockholders	-	-	(144,461)	-	-	(144,461)	-	(144,461)
Dividends to non-controlling interests	-	-	-	-	-	-	(30,580)	(30,580)
Acquisition of treasury stock	-	-	-	-	(100,458)	(100,458)	-	(100,458)
Sales of treasury stock	-	(151)	-	-	213	62	-	62
Cancellation of treasury stock	-	(98,793)	-	-	98,793	-	-	-
Issuance of new shares (note 19)	600	600	-	-	-	1,200	-	1,200
Transfer to capital surplus from retained earnings	-	105,689	(105,689)	-	-	-	-	-
Changes in non-controlling interests	-	(7,345)	(2,854)	896	-	(9,303)	(270,972)	(280,275)
Total changes in equity	600	-	447,545	314,158	(1,452)	760,851	(236,815)	524,036
Balance at end of year	463,417	-	4,084,729	1,160,550	(4,991)	5,703,705	155,898	5,859,603

Year ended March 31, 2023

Millions of yen

2023								
	Common stock (note 16)	Capital surplus (notes 5 and 16)	Retained earnings (notes 16 and 18)	Accumulated other comprehensive income (note 17)	Treasury stock, at cost (note 16)	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 5)	Total equity
Balance at beginning of year	461,731	46,119	3,197,725	639,263	(3,002)	4,341,836	1,013,441	5,355,277
Changes in equity								
Reclassified into retained earnings	-	-	72,970	(72,970)	-	-	-	-
Net income	-	-	649,124	-	-	649,124	54,746	703,870
Other comprehensive income	-	-	-	256,695	-	256,695	60,722	317,417
Dividends to Hitachi, Ltd. stockholders	-	-	(129,148)	-	-	(129,148)	-	(129,148)
Dividends to non-controlling interests	-	-	-	-	-	-	(34,828)	(34,828)
Acquisition of treasury stock	-	-	-	-	(200,212)	(200,212)	-	(200,212)
Sales of treasury stock	-	(94)	-	-	258	164	-	164
Cancellation of treasury stock	-	(199,417)	-	-	199,417	-	-	-
Issuance of new shares (note 19)	1,086	1,086	-	-	-	2,172	-	2,172
Transfer to capital surplus from retained earnings	-	153,487	(153,487)	-	-	-	-	-
Changes in non-controlling interests	-	(1,181)	-	23,404	-	22,223	(701,368)	(679,145)
Total changes in equity	1,086	(46,119)	439,459	207,129	(537)	601,018	(620,728)	(19,710)
Balance at end of year	462,817	-	3,637,184	846,392	(3,539)	4,942,854	392,713	5,335,567

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2024 and 2023

Millions of yen

	Note	2024	2023
Cash flows from operating activities:			
Net income		626,748	703,870
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization		451,525	526,310
Impairment losses		29,668	129,894
Income taxes		199,053	116,101
Share of (profits) losses of investments accounted for using the equity method		(75,284)	(52,847)
Financial income and expenses		21,824	18,204
Net (gain) loss on business reorganization and others		(97,048)	(297,351)
(Gain) loss on sale of property, plant and equipment		(17,857)	(2,465)
Change in trade receivables and contract assets		40,206	(60,673)
Change in inventories		(88,320)	(244,346)
Change in trade payables		7,327	43,964
Change in accrued expenses		54,016	36,826
Change in retirement and severance benefits		(5,193)	49,935
Other		(34,598)	28,182
Subtotal		1,112,067	995,604
Interest received		38,655	25,675
Dividends received		29,963	26,419
Interest paid		(69,165)	(49,770)
Income taxes paid	24	(154,908)	(170,883)
Net cash provided by (used in) operating activities		956,612	827,045
Cash flows from investing activities:			
Purchase of property, plant and equipment		(232,874)	(252,638)
Purchase of intangible assets		(152,271)	(157,947)
Proceeds from sale of property, plant and equipment, and intangible assets		45,048	55,580
Purchase of investments in securities and other financial assets			
(including investments in subsidiaries and investments accounted for using the equity method)		(70,622)	(106,069)
Proceeds from sale of investments in securities and other financial assets			
(including investments in subsidiaries and investments accounted for using the equity method)		265,693	616,317
Other		13,483	(4,180)
Net cash provided by (used in) investing activities		(131,543)	151,063
Cash flows from financing activities:	24		
Change in short-term debt, net		(550,170)	(277,685)
Proceeds from long-term debt		105,130	80,062
Payments on long-term debt		(301,507)	(288,795)
Proceeds from payments from non-controlling interests		487	310
Dividends paid to Hitachi, Ltd. stockholders		(144,343)	(129,005)
Dividends paid to non-controlling interests		(32,345)	(52,217)
Acquisition of common stock for treasury		(100,458)	(200,212)
Proceeds from sales of treasury stock		62	164
Purchase of shares of consolidated subsidiaries from non-controlling interests		(1,763)	(274,687)
Other		-	(901)
Net cash provided by (used in) financing activities		(1,024,907)	(1,142,966)
Effect of exchange rate changes on cash and cash equivalents		71,922	29,314
Change in cash and cash equivalents		(127,916)	(135,544)
Cash and cash equivalents at beginning of year		833,283	968,827
Cash and cash equivalents at end of year		705,367	833,283

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) Nature of Operations

Hitachi, Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The accompanying consolidated financial statements 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 five segments consisting of Digital Systems & Services, Green Energy & Mobility, Connective Industries, Automotive Systems and Others.

(2) Basis of Presentation

As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards" pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance of Japan No. 28 of 1976), the consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as permitted by the provision of Article 93 of the Ordinance. The Company's fiscal year begins on April 1 and ends on March 31 of the following calendar year.

The Company's consolidated financial statements have been prepared on a historical cost basis, except for derivative assets and liabilities, financial assets and liabilities measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and assets and liabilities associated with defined benefit plans.

The consolidated financial statements are presented in millions of Japanese yen, the functional currency of the Company.

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 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.

The information regarding judgments used in applying accounting policies that could have a material effect on the Company's consolidated financial statements is included in the following notes:

- note 3. (a) *Basis of Consolidation*
- note 3. (d) *Financial Instruments* and note 25. Financial Instruments and Related Disclosures

The information regarding uncertainties arising from assumptions and estimates that could result in material adjustments in the subsequent consolidated financial statements is included in the following notes:

- note 3. (d) *Financial Instruments* and note 25. Financial Instruments and Related Disclosures
- note 3. (j) *Impairment of Non-financial Assets*, note 9. Property, Plant and Equipment and note 10. Goodwill and Other Intangible Assets
- note 3. (k) *Retirement and Severance Benefits* and note 15. Employee Benefits
- note 3. (l) *Provisions*, note 3. (n) *Revenue Recognition*, note 14. Provisions and note 20. Revenues
- note 3. (o) *Income Taxes* and note 12. Deferred Taxes and Income Taxes

Notes to Consolidated Financial Statements

(3) Summary of Material Accounting Policies

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control is obtained when the Company has risks or rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the variable returns.

The Company consolidates all subsidiaries from the date on which the Company acquires control until the date on which the Company loses control.

Subsidiaries' financial statements are adjusted as necessary if their accounting policies differ from those of the Company.

Changes in ownership interests in subsidiaries without a loss of control are accounted for as equity transactions. Changes in ownership interests in subsidiaries with a loss of control are accounted for by derecognizing assets and liabilities, non-controlling interests, equity and accumulated other comprehensive income (AOCI) attributable to the subsidiaries.

(ii) Associates and Joint Ventures

Associates are entities over whose operational and financial policies the Company has the ability to exercise significant influence but which are not controlled by the Company.

Joint ventures are jointly controlled by more than one party, including the Company, and require unanimous agreement of all parties in deciding operational and financial policies of the entity.

Investments in associates and joint ventures are accounted for using the equity method. The consolidated financial statements of the Company include changes in profit or loss and other comprehensive income (OCI) of these associates and joint ventures from the date on which the Company obtains significant influence or joint control to the date on which it loses significant influence or joint control. The financial statements of the associates and joint ventures are adjusted as necessary if their accounting policies differ from those of the Company.

(iii) Structured Entities

The Company consolidates structured entities in case it is exposed or has rights to variable returns from its involvement with such entities and has the ability to affect those returns through its power over the entities.

(b) Cash Equivalents

Cash equivalents are highly liquid investments with insignificant risk of changes in value, with original maturities of three months or less from the date of acquisition.

(c) Foreign Currency Translation

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency.

(i) Foreign Currency Transactions

Foreign currency transactions are converted into the functional currency of each company using the exchange rate prevailing at the transaction date or a rate that approximates such rate. Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from the currency conversion and settlement are recognized in profit or loss, except where gains and losses on assets or liabilities are recognized in OCI, foreign exchange effects relating to such assets or liabilities are also recognized in OCI, and presented in AOCI.

(ii) Foreign Operations

Assets and liabilities of foreign entities are translated into Japanese yen using the exchange rate at the end of the reporting period, and revenue and expense items are translated using the average exchange rates during the period. Gains or losses derived from translating foreign entities' financial statements are recognized in OCI, and presented in AOCI.

Notes to Consolidated Financial Statements

(d) Financial Instruments

(i) Non-derivative Financial Assets

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

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

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

Financial Assets Measured at Amortized Cost

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

- The financial asset is held within a business model with the objective of collecting contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets measured at fair value through other comprehensive income

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

Financial assets measured at fair value through profit or loss

Equity instruments not designated as Financial assets measured at fair value through other comprehensive income and debt instruments not classified as financial assets measured at amortized cost are classified as Financial assets measured at fair value through profit or loss. These instruments are subsequently measured at fair value (including direct transaction costs) and the changes in fair value are recognized in profit or loss.

Impairment of Financial Assets

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

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

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

Notes to Consolidated Financial Statements

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

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

(ii) Non-derivative Financial Liabilities

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

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

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

(iii) Derivatives and Hedge Accounting

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

The Company accounts for hedging derivatives as follows:

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

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

Notes to Consolidated Financial Statements

(iv) Offsetting Financial Assets and Liabilities

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

(e) Put Options of Non-controlling Interests

The Company and its subsidiaries recognize put options on shares of subsidiaries held by non-controlling interests as financial liabilities at the present value of the exercise price. The Company derecognizes the non-controlling interests and recognizes the difference between the present value and non-controlling interests in capital surplus.

(f) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the specific identification method or by the moving average method for finished goods, semi-finished goods and work in process, and generally by the moving average method for raw materials. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to sell.

(g) Property, Plant and Equipment

Property, plant and equipment are measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses. Acquisition cost includes direct costs of acquisition, costs of dismantling, removing and restoration of the assets. Each asset is depreciated mainly using the straight-line method over the following estimated useful lives for major classes of assets:

Buildings and structures	2 to 60 years
Machinery, equipment and vehicles	2 to 17 years
Tools, furniture and fixtures	2 to 20 years
Right-of-use assets	2 to 30 years

Estimated useful lives and the method of depreciation are reviewed at the fiscal year end. Changes in estimated useful lives or depreciation method are accounted for on a prospective basis as a change in accounting estimate.

(h) Goodwill and Other Intangible Assets

Other intangible assets with finite useful lives are measured using the cost model and stated at cost less accumulated amortization and impairment losses. Each asset is amortized mainly using the straight-line method over the following estimated useful lives for major classes of assets:

Software for internal use	2 to 10 years
Software for sale	2 to 10 years
Other	2 to 20 years

Goodwill and Other intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.

Notes to Consolidated Financial Statements

(i) 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 Other 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 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.

Notes to Consolidated Financial Statements

(j) Impairment of Non-Financial Assets

For each non-financial asset, the Company reviews the carrying amount and tests for impairment if there are events or circumstances indicating an asset's carrying amount may not be recoverable. For an asset that does not generate cash flows that are largely independent of the cash flows from other assets, the Company considers indicators of impairment based on a cash generating unit (CGU) or a group of CGUs. Irrespective of any indicators of impairment, the Company tests intangible assets with indefinite useful lives and goodwill for impairment annually, mainly in the fourth quarter, by estimating the recoverable amount of each CGU (or group of CGUs) to which such assets are allocated.

The Company measures the recoverable amount of an asset or a CGU (or a group of CGUs) as the higher of fair value less costs of disposal and value in use. In measuring fair values, the Company and its subsidiaries primarily use the income approach (present value technique) based on the estimated future cash flows expected to result from the use of the asset and its eventual disposal or the market approach to derive reasonable estimates of values in orderly market transactions, such as comparisons of similar public companies and the current gross value of the asset. The Company consults with outside specialists, as appropriate, depending on the complexity of estimating fair values. Value in use is calculated by the estimated future cash flows based on business plans approved by management, discounted at the discount rate which is derived from the weighted average cost of capital. The business plan used is based on external information, reflects historical experiences, and generally has a maximum of five years. Since the Company and its subsidiaries are engaged in a wide range of business activities from development, production and sales of diverse products and the provision of various services, appropriate external information for each business activity is used for evaluating value in use for each business. Estimated cash flows beyond the period covered by the business plan are calculated using the estimated growth rate not exceeding the long-term average growth rate of the market to which the asset belongs. Although a certain amount of negative impact due to the business environment is included in current business plans, these plans may be affected by risks related to market or economic environment, and actual result may differ from the estimates. In addition, the discount rate used to calculate the value in use is affected by stock market trends and fluctuations in interest rates.

If the carrying amount of the asset or the CGU (or the group of CGUs) exceeds its recoverable amount, an impairment loss is recognized at the excess amount.

For an asset or a CGU (or a group of CGUs) other than goodwill, its recoverable amount is subsequently estimated if there is a significant change in facts and circumstances and there is an indication that an impairment loss previously recognized on the asset may no longer exist or has decreased. If the estimated recoverable amount exceeds the carrying amount, the impairment loss recognized previously is reversed to the extent of the carrying amount that would have been recorded, net of depreciation or amortization, if impairment had not been recognized previously.

(k) Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans, severance lump-sum payment plans and defined contribution plans to provide retirement and severance benefits to employees.

(i) Defined Benefit Plans

Defined benefit plans include defined benefit pension plans and severance lump-sum payment plans. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method. The present value of defined benefit obligations and the fair value of plan assets are remeasured as of the end of reporting period. Actuarial differences arising during the year and changes in fair value of plan assets (excluding interest income) are recognized in OCI and are not subsequently reclassified into profit or loss. Any prior service cost, which arises at the time of a plan amendment, is recognized immediately in profit or loss when such an amendment occurs. The present value of defined benefit obligations less the fair value of plan assets is presented as the net amount of defined benefit liability or asset in non-current liabilities or assets. When a defined benefit plan has a surplus, the net defined benefit asset is limited to the asset ceiling, which is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The measurement of a significant amount of employee retirement benefit costs is derived from actuarial valuations containing a number of actuarial assumptions including mortality, withdrawal and retirement rates, changes in wages and the discount rate. The Company and its subsidiaries make judgments regarding the actuarial assumptions used by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Actuarial assumptions are determined based on the best estimates and judgments, but may be affected by variance of uncertain economic conditions in the future or by amendments or issuance of related laws.

Notes to Consolidated Financial Statements

(ii) Defined Contribution Plans

Defined contribution pension plans are post-employment benefit plans in which the employer pays a certain amount of premiums to the third-party asset manager but has no legal or constructive obligation to pay in excess of such contributions. Contributions to the defined contribution plans are recognized in profit or loss in the period when the service is provided by the employees.

(l) Provisions

The Company recognizes provisions if it has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of obligation can be reliably estimated. Provisions may be affected by unexpected events or changes in circumstances, and actual payments may differ from the estimates.

In case that the time to settle an obligation is expected to be long, and thus the time value of money is material, the amount of a provision is measured at the present value of the amount of expenditures expected to be required to settle the obligation.

(m) Contingencies

The Company discloses contingent liabilities in accordance with International Accounting Standards (IAS) 37 “Provisions, Contingent Liabilities and Contingent Assets” if an obligation does not meet the recognition criteria of provisions prescribed above in *(l) Provisions*, excluding those where the possibility of an outflow of resources is remote.

The Company and its subsidiaries have financial guarantee contracts that require them to make payments to compensate the holder for a loss it incurs if a specified debtor defaults on payment based on the terms of a debt instrument.

(n) Revenue Recognition

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

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

The Company offers multiple solutions to meet its customers’ needs which may involve the delivery or performance of multiple elements, such as goods or services. When the Company enters into multiple contracts for providing the goods or services, related contracts are combined based on interdependencies between each contract’s consideration and the time the Company entered into such contracts, and the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct goods or services for the purpose of recognizing revenue.

In estimating the stand-alone selling price, the Company considers various factors such as market conditions, entity-specific factors and information about the customer or situation of customer.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised amount of consideration does not include a significant financing component.

For a performance obligation satisfied over time, the Company measures its progress towards complete satisfaction of that performance obligation based on the costs incurred or the period of services being provided in consideration of the nature of the goods and services for the purpose of recognizing revenue. When the Company cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred.

The Company recognizes the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract as an asset if those costs are expected to be recovered, and those assets are amortized based on the methods used to recognize revenue of the goods or services to which the assets relate. The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one year.

Notes to Consolidated Financial Statements

Revenue recognition under long-term projects requires significant assumptions about the estimated total cost, estimated total selling price, risk associated with the contract, and other factors. These estimates are subject to variance of uncertain economic conditions in the future and may vary due to a variety of reasons beyond our control. The Company reviews these estimates on an ongoing basis and reflects them in accounting practices.

(o) Income Taxes

Deferred tax assets and liabilities resulting from temporary differences and others are accounted for based on a liability method. Deferred tax assets and liabilities are not recognized for temporary differences arising from goodwill, temporary differences arising from an asset or liability in a transaction other than a business combination, which at the time of transaction affects neither accounting nor taxable income and does not give rise to equal taxable and deductible temporary differences, and future taxable difference arising from investments in subsidiaries, associates and joint ventures where that the Company is able to control the timing of reversal of the temporary difference while it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which unused tax loss carryforwards, unused tax credits and future deductible temporary differences can be utilized. A certain amount of negative impact due to the business environment is included in estimates of future taxable income. The timing and amounts of taxable income may be affected by fluctuations due to uncertain economic conditions in the future, and the actual timing and amounts may differ from the estimates. Current tax and deferred tax on items recognized in OCI are also recognized in OCI.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss and OCI in the period that includes the enactment date.

The Company has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development in accordance with IAS 12 “Income taxes”.

(p) Earnings per Share

Basic earnings per share (EPS) for net income attributable to Hitachi, Ltd. stockholders is calculated based on the weighted average number of ordinary shares outstanding during the period. Diluted EPS for net income attributable to Hitachi, Ltd. stockholders is calculated based on the sum of weighted average number of ordinary shares outstanding during the period and the conversion of securities with dilutive effects or the number of authorized shares.

(q) Business Combinations

Business combinations are accounted for using the acquisition method. The Company determines, on a transaction by transaction basis, whether to measure non-controlling interests at fair value or by the appropriate share in the fair value of identifiable net assets of the acquiree. Acquisition related costs are expensed in the period in which the costs are incurred.

(r) New Accounting Standards not yet Adopted by the Company

The following table lists the principal new accounting standards and interpretations issued or amended prior to the approval date of the consolidated financial statements that are not yet adopted by the Company as of the reporting date. The Company is examining the impact of adopting this standard on its consolidated financial statements.

IFRSs	Title	Mandatory effective date (Fiscal year beginning on or after)	To be adopted by the Company (Fiscal year beginning on)	Description of new standards and amendments
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	April 1, 2027	New standard replacing IAS 1, the current accounting standard for presentation and disclosure of financial statements

Notes to Consolidated Financial Statements

(4) Segment Information

Business Segments

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 five 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 Green Energy & Mobility and Connective Industries 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 the segment profit (loss) margin ratio of operating segments. The primary products and services included in each segment are as follows:

Digital Systems & Services:

Digital solutions (System integration, Consulting, Cloud services), IT products (Storage, Servers), Software, and ATMs

Green Energy & Mobility:

Energy solutions (Power grids, Renewable energy, Nuclear), and Railway systems

Connective Industries:

Building systems (Elevators, Escalators), Smart life & ecofriendly systems (Home appliances, Air conditioners), Measurement and analytical systems (Semiconductor manufacturing equipment, Clinical analyzers), Industry & distribution solutions, Water & environment solutions, and Industrial machinery

Automotive Systems:

Powertrain, Chassis, Advanced driver assistance, and Motorcycle systems

Others:

Property management and others

Effective from April 1, 2023, a portion of the business previously included in the Green Energy & Mobility segment has been transferred to Business Management Reinforcement Division, and included in Others. Figures for the year ended March 31, 2023 have been restated on the basis of the reclassification.

In August 2022, the Company sold a certain number of shares of Hitachi Construction Machinery Co., Ltd. (Hitachi Construction Machinery). As a result, Hitachi Construction Machinery and its subsidiaries, which were included in the Hitachi Construction Machinery segment, became equity-method associates of the Company. In January 2023, the Company sold all shares of Hitachi Metals, Ltd. (currently Proterial, Ltd.). As a result, Hitachi Metals, Ltd. was deconsolidated. In October 2023, the Company sold a certain number of shares of Hitachi Astemo, Ltd. (Hitachi Astemo). As a result, Hitachi Astemo and its subsidiaries, which were included in the Automotive Systems segment, became equity-method associates of the Company.

Accordingly, the Hitachi Construction Machinery segment, the Hitachi Metals segment and the Automotive Systems segment ceased to be business segments, but the segment figures for the years ended March 31, 2024 and 2023 are disclosed individually to enhance fair disclosure.

The Company includes its share of profits (losses) of investments accounted for using the equity method of Hitachi Construction Machinery and its subsidiaries after the transfer of shares from the second quarter of the fiscal year ended March 31, 2023, and its share of profits (losses) of investments accounted for using the equity method of Hitachi Astemo and its subsidiaries after the transfer of shares from the third quarter of the fiscal year ended March 31, 2024, respectively, in Corporate items & Eliminations.

Notes to Consolidated Financial Statements

The following tables show business segment information for the years ended March 31, 2024 and 2023.

Millions of yen

	March 31, 2024			
	Segment			
	Digital Systems & Services	Green Energy & Mobility	Connective Industries	Automotive Systems
Revenues				
Revenues from External Customers	2,432,182	2,980,675	2,857,211	1,160,008
Revenues from Intersegment Transactions	166,477	71,627	200,749	4,376
Total Revenues	2,598,659	3,052,302	3,057,960	1,164,384
Segment Profit (Loss)	333,433	199,184	320,681	50,694
Total Assets	3,480,331	4,719,717	3,800,781	-
Other items				
Depreciation and Amortization	131,461	138,930	81,328	58,350
Impairment Losses	19,133	1,860	5,021	1,636
Share of Profits (Losses) of Investments Accounted for Using the Equity Method	2,353	17,066	19,194	497
Investments Accounted for Using the Equity Method	49,496	104,383	175,255	-
Goodwill	1,433,628	690,034	248,016	-
Capital Expenditures	126,057	168,337	78,080	61,533

Millions of yen

	March 31, 2024					
	Segment				Corporate items & Eliminations	Total
	Hitachi Construction Machinery	Hitachi Metals	Others	Subtotal		
Revenues						
Revenues from External Customers	-	-	267,395	9,697,471	31,245	9,728,716
Revenues from Intersegment Transactions	-	-	240,401	683,630	(683,630)	-
Total Revenues	-	-	507,796	10,381,101	(652,385)	9,728,716
Segment Profit (Loss)	-	-	6,780	910,772	7,412	918,184
Total Assets	-	-	1,908,227	13,909,056	(1,687,772)	12,221,284
Other items						
Depreciation and Amortization	-	-	32,608	442,677	8,848	451,525
Impairment Losses	-	-	2,018	29,668	-	29,668
Share of Profits (Losses) of Investments Accounted for Using the Equity Method	-	-	563	39,673	35,611	75,284
Investments Accounted for Using the Equity Method	-	-	4,626	333,760	482,674	816,434
Goodwill	-	-	-	2,371,678	-	2,371,678
Capital Expenditures	-	-	36,876	470,883	(2,575)	468,308

Notes to Consolidated Financial Statements

Millions of yen

	March 31, 2023			
	Segment			
	Digital Systems & Services	Green Energy & Mobility	Connective Industries	Automotive Systems
Revenues				
Revenues from External Customers	2,217,973	2,409,601	2,759,660	1,915,254
Revenues from Intersegment Transactions	171,122	60,318	215,612	4,813
Total Revenues	2,389,095	2,469,919	2,975,272	1,920,067
Segment Profit (Loss)	293,729	163,505	312,183	73,447
Total Assets	3,140,933	3,762,723	3,552,848	1,687,076
Other items				
Depreciation and Amortization	129,741	117,859	78,530	105,040
Impairment Losses	52,163	49,584	3,502	24,160
Share of Profits (Losses) of Investments Accounted for Using the Equity Method	2,597	10,168	19,855	706
Investments Accounted for Using the Equity Method	51,997	87,484	162,248	11,406
Goodwill	1,269,171	589,011	220,688	86,480
Capital Expenditures	132,754	118,147	75,451	87,916

Millions of yen

	March 31, 2023					
	Segment				Corporate items & Eliminations	Total
	Hitachi Construction Machinery	Hitachi Metals	Others	Subtotal		
Revenues						
Revenues from External Customers	474,168	825,588	261,234	10,863,478	17,672	10,881,150
Revenues from Intersegment Transactions	946	22,138	234,384	709,333	(709,333)	-
Total Revenues	475,114	847,726	495,618	11,572,811	(691,661)	10,881,150
Segment Profit (Loss)	43,226	43,054	(15,215)	913,929	(29,323)	884,606
Total Assets	-	-	2,147,020	14,290,600	(1,789,186)	12,501,414
Other items						
Depreciation and Amortization	25,664	27,903	32,251	516,988	9,322	526,310
Impairment Losses	93	74	318	129,894	-	129,894
Share of Profits (Losses) of Investments Accounted for Using the Equity Method	1,171	1,265	121	35,883	16,964	52,847
Investments Accounted for Using the Equity Method	-	-	4,536	317,671	160,949	478,620
Goodwill	-	-	-	2,165,350	-	2,165,350
Capital Expenditures	32,372	20,763	33,180	500,583	7,459	508,042

Segment profit (loss) is measured by Adjusted EBITA. Adjusted EBITA is defined as Adjusted Earnings before Interest, Taxes and Amortization. Adjusted EBITA represents profit (loss) calculated by deducting selling, general and administrative expenses from gross profit, adding back amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting share of profits (losses) of investments accounted for using the equity method.

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 advanced R&D, a part of net gain (loss) on share of profits (losses) of investments accounted for using the equity method, and others.

Corporate assets mainly consist of investments in securities and other financial assets.

Depreciation consists of that of property, plant and equipment and investment properties.

Impairment losses mainly consist of those recognized on property, plant and equipment, goodwill and other intangible assets.

Capital expenditures represent additions to property, plant and equipment, investment properties and other intangible assets.

Notes to Consolidated Financial Statements

Adjustments to income before income taxes from segment profit (loss) are as follows.

Millions of yen

	2024	2023
Segment Profit (Loss)	918,184	884,606
Amortization of Intangible assets, etc. recognized upon business combinations	(87,084)	(83,615)
Other income	116,653	302,196
Other expenses	(97,184)	(245,016)
Financial income	17,388	7,878
Financial expenses	(10,015)	(20,417)
EBIT (Earnings before interest and taxes)	857,942	845,632
Interest income	38,781	25,652
Interest charges	(70,922)	(51,313)
Income before income taxes	825,801	819,971

Notes to Consolidated Financial Statements

Geographic Information

The following table shows revenues attributed to geographic areas based on the location of the customers for the years ended March 31, 2024 and 2023.

	Millions of yen	
	2024	2023
Japan	3,773,383	4,118,244
Asia	2,151,544	2,635,114
North America	1,582,916	1,877,992
Europe	1,550,878	1,535,948
Other Areas	669,995	713,852
Overseas Revenues Subtotal	5,955,333	6,762,906
Total Revenues	9,728,716	10,881,150

Revenues in China for the years ended March 31, 2024 and 2023 were 1,154,781 million yen and 1,345,223 million yen, respectively. Revenues in the U.S.A. for the years ended March 31, 2024 and 2023 were 1,426,930 million yen and 1,732,535 million yen, respectively. Revenues from external customers attributable to any individual country and region other than Japan, China and the U.S.A. were not material for the years ended March 31, 2024 and 2023.

The following table shows the balances of property, plant and equipment, investment properties, goodwill and other intangible assets for each geographic area as of March 31, 2024 and 2023.

	Millions of yen	
	March 31, 2024	March 31, 2023
Japan	723,713	1,097,816
Asia	296,175	520,213
North America	2,069,604	1,896,359
Europe	1,606,086	1,501,367
Other Areas	91,206	137,077
Subtotal	4,786,784	5,152,832
Corporate items and Eliminations	19,050	(5,606)
Total	4,805,834	5,147,226

The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in the U.S.A. as of March 31, 2024 and 2023 were 2,058,257 million yen and 1,886,723 million yen, respectively. The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in the Swiss Confederation as of March 31, 2024 and 2023 were 1,223,641 million yen and 1,065,498 million yen, respectively. The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in any individual country and region other than Japan, the U.S.A. and the Swiss Confederation were not material as of March 31, 2024 and 2023.

Significant Customer Information

There was no concentration of revenues from a specific customer for the years ended March 31, 2024 and 2023.

Notes to Consolidated Financial Statements

(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures for the year ended March 31, 2024, including the period up to the approval date of the consolidated financial statements.

(a) Acquisition of Thales' ground transportation systems business

On August 3, 2021, Hitachi Rail Ltd.(hereinafter "Hitachi Rail"), a consolidated subsidiary of the Company in the Green Energy & Mobility segment, signed an agreement with Thales S.A.(hereinafter "Thales") to acquire the ground transportation systems business in order to expand the rail signalling systems business globally. Based on the agreement, Hitachi Rail invested 100% in CENTELEC UK LIMITED (hereinafter "CENTELEC"), which was carved out from Thales, and the acquisition was completed on May 31, 2024. As a result, CENTELEC became a subsidiary of the Company.

The consideration for the acquisition of CENTELEC was 2,009 million euro (304,990 million yen). Acquisition related costs included in Other expenses in the consolidated statement of profit or loss for the years ended March 31, 2024 and 2023 were 2,876 million yen and 2,544 million yen, respectively. Furthermore, approximately 3,000 million yen is expected to be recorded as acquisition related costs for the year ending March 31, 2025. In addition to this acquisition, Hitachi Rail repaid 143 million euro (24,210 million yen) of certain loans owed by CENTELEC from Thales.

Due to a time constraint between the acquisition date and the approval date of the consolidated financial statements, the initial accounting treatment for the acquisition of CENTELEC has not been completed. Accordingly, no disclosure has been made to the amount of assets acquired and liabilities assumed that were recognized at the date of acquisition, or the balances of goodwill. The consideration may vary due to transaction price adjustment.

(b) Sale of shares of Hitachi Astemo, Ltd. (hereinafter "Hitachi Astemo")

On March 30, 2023, the Company entered into the following two agreements regarding the transfer of a part of the shares of Hitachi Astemo, a consolidated subsidiary of the Company in the Automotive Systems segment, to Hitachi Astemo and Honda Motor Co., Ltd. (hereinafter "Honda") and for inviting JICC Capital, Ltd. (hereinafter "JICC") as a new joint partner.

- (i) Share Subscription Agreement with JICC-01 Limited Partnership (hereinafter "JICC-01") managed by JICC-01 G.K., which is a wholly owned subsidiary of JICC including that Hitachi Astemo issues Class shares to JICC-01, and Hitachi Astemo purchases a part of shares of its common stocks held by the Company, using a portion of the funds raised through the issuance of Class shares
- (ii) Agreement for investment in kind and share transfer with Honda including that Hitachi Astemo issues common stocks to Honda in exchange for Honda to invest the shares of Hitachi Astemo Electric Motor Systems, Ltd. in kind and the Company transfers a part of shares of Hitachi Astemo's common stocks to Honda

On October 16, 2023, the series of transactions was completed. The Company's consideration was 157,807 million yen.

As a result of the series of transactions, the Company's ownership ratio of shares of Hitachi Astemo decreased from 66.6% to 40%, and Hitachi Astemo turned into an equity-method associate of the Company.

A gain on the sale of Hitachi Astemo shares in the amount of 121,642 million yen was recognized in Other income in the consolidated statement of profit or loss for the year ended March 31, 2024. The gain of 121,642 million yen included a gain of 77,792 million yen recognized due to fair value revaluation of the remaining Hitachi Astemo shares.

Furthermore, changes in non-controlling interests in the consolidated statement of changes in equity include derecognition of non-controlling interest in Hitachi Astemo as a result of its deconsolidation.

Notes to Consolidated Financial Statements

The following table shows the assets, liabilities, and equity of Hitachi Astemo as of March 31, 2023.

	<u>Millions of yen</u>
Cash and cash equivalents	138,491
Trade receivables and contract assets	341,914
Inventories	284,449
Investments in securities and other financial assets	39,757
Other current assets	23,301
Total current assets	<u>827,912</u>
Investments accounted for using the equity method	11,406
Investments in securities and other financial assets	12,196
Property, plant and equipment	555,360
Goodwill	86,480
Other intangible assets	125,397
Other non-current assets	68,325
Total non-current assets	<u>859,164</u>
Total assets	<u><u>1,687,076</u></u>
Short-term debt	186,002
Current portion of long-term debt	28,547
Other financial liabilities	38,796
Trade payables	267,933
Accrued expenses	111,110
Contract liabilities	676
Other current liabilities	30,900
Total current liabilities	<u>663,964</u>
Long-term debt	279,680
Retirement and severance benefits	31,045
Other non-current liabilities	14,249
Total non-current liabilities	<u>324,974</u>
Total liabilities	<u><u>988,938</u></u>
Total Hitachi, Ltd. stockholders' equity	437,640
Non-controlling interests	260,498
Total equity	<u>698,138</u>
Total liabilities and equity	<u><u>1,687,076</u></u>

The table above included intercompany liabilities as follows.

	March 31, 2023
Short-term debt	181,165
Accrued expenses	12,154
Long-term debt	43,178

Notes to Consolidated Financial Statements

The following are the main Business Acquisitions and Divestitures for the year ended March 31, 2023.

(a) Sale of all shares of Hitachi Transport System, Ltd. (hereinafter “Hitachi Transport System”)

On April 28, 2022, the Company entered into an agreement regarding the following three points, etc. for the common stocks of Hitachi Transport System (hereinafter “Hitachi Transport System Shares”), an equity-method associate of the Company in Corporate items of segment information, with HTSK Co., Ltd. (hereinafter “Offeror”), a wholly owned subsidiary of HTSK Holdings Co., Ltd. (hereinafter “Offeror Parent”), all equity interests which are currently owned by HTSK Investment L.P., which is indirectly held and operated by Kohlberg Kravis Roberts & Co. L.P.

- (i) Offeror will launch a tender offer (hereinafter “Tender Offer”) for Hitachi Transport System Shares and the Company will not tender any of its shares of Hitachi Transport System (hereinafter “Shares to Be Sold by the Company”) in Tender Offer.
- (ii) The Company will sell Shares to Be Sold by the Company in accordance with the share repurchase to be conducted by Hitachi Transport System.
- (iii) The Company obtains 10.0 billion yen worth of Offeror Parent’s shares with voting rights (equivalent to 10% of the total voting rights).

Offeror commenced Tender Offer on October 28, 2022, and Tender Offer was completed on November 29, 2022.

On March 1, 2023, the Company sold Shares to Be Sold by the Company in accordance with the share repurchase to be conducted by Hitachi Transport System. The Company’s consideration was 221,983 million yen.

As a result of the transaction, Hitachi Transport System ceased to be an equity-method associate. A gain on the sale of Hitachi Transport System Shares in the amount of 140,293 million yen was recognized in Other income in the consolidated statement of profit or loss for the year ended March 31, 2023.

On April 1, 2023, Hitachi Transport System changed its name to LOGISTEED, Ltd.

(b) Sale of all shares of Hitachi Metals, Ltd. (hereinafter “Hitachi Metals”)

On April 28, 2021, the Company entered into an agreement regarding the following four points for the common stocks of Hitachi Metals (hereinafter “Hitachi Metals Shares”), a consolidated subsidiary of the Company in the Hitachi Metals segment, with K. K. BCJ-52 (hereinafter “Tender Offeror”), a wholly owned company of G.K. BCJ-51, the outstanding shares of which are indirectly owned by investment funds which Bain Capital Private Equity, LP and its group provide with investment advice.

- (i) Tender Offeror will launch a tender offer (hereinafter “Tender Offer”) for Hitachi Metals Shares, when conditions for the commencement of Tender Offer are satisfied, and the Company will not apply for Tender Offer with regard to all of the Hitachi Metals Shares held by the Company (hereinafter “Shares to Be Sold by the Company”).
- (ii) In the event Tender Offer is enacted and Tender Offeror is unable to acquire all of the Hitachi Metals Shares (excluding treasury stock held by Hitachi Metals and Shares to Be Sold by the Company) in Tender Offer, Tender Offeror and the Company will request convening of a general meeting of shareholders on the matter of items required for implementation of share consolidation (hereinafter “Share Consolidation”) on Hitachi Metals and exercise approval right for the proposal.
- (iii) As promptly as practically possible after Tender Offeror and the Company become holders of all shares of Hitachi Metals (excluding treasury stock held by Hitachi Metals) as a result of Share Consolidation, capital reduction and other measures (hereinafter “Capital Reduction”) will be performed for Hitachi Metals in order to secure distributable amount required for acquisition of treasury stock by Hitachi Metals (hereinafter “Share Repurchase”).
- (iv) Immediately after Capital Reduction takes effect, Shares to Be Sold by the Company will be transferred to Hitachi Metals as a result of Share Repurchase.

Tender Offeror commenced Tender Offer on September 27, 2022, and Tender Offer was completed on October 25, 2022.

Following the completion of Tender Offer, the above related transactions, such as Share Consolidation of Hitachi Metals shares, took place and Shares to Be Sold by the Company were transferred on January 5, 2023. The Company’s consideration was 382,042 million yen.

As a result of the transaction was settled, the Company’s ownership ratio of Hitachi Metals Shares decreased from 53.4% to 0%, and Hitachi Metals was deconsolidated. A gain on the sale of Hitachi Metals Shares in the amount of 95,324 million yen was recognized in Other income in the consolidated statement of profit or loss for the year ended March 31, 2023.

Furthermore, changes in non-controlling interests in the consolidated statement of changes in equity include derecognition of non-controlling interest in Hitachi Metals as a result of its deconsolidation.

On January 4, 2023, Hitachi Metals changed its name to Proterial, Ltd.

Notes to Consolidated Financial Statements

The following table shows the assets, liabilities, and equity of Hitachi Metals as of March 31, 2022.

	<u>Millions of yen</u>
Cash and cash equivalents	100,936
Trade receivables and contract assets	187,264
Inventories	227,615
Investments in securities and other financial assets	44,821
Other current assets	9,028
Total current assets	<u>569,664</u>
Investments accounted for using the equity method	11,612
Investments in securities and other financial assets	9,885
Property, plant and equipment	334,603
Goodwill	95,276
Other intangible assets	23,610
Other non-current assets	27,375
Total non-current assets	<u>502,361</u>
Total assets	<u><u>1,072,025</u></u>
Short-term debt	100,316
Current portion of long-term debt	21,907
Other financial liabilities	26,121
Trade payables	200,659
Accrued expenses	41,161
Contract liabilities	787
Other current liabilities	3,849
Total current liabilities	<u>394,800</u>
Long-term debt	74,686
Retirement and severance benefits	63,775
Other non-current liabilities	3,045
Total non-current liabilities	<u>141,506</u>
Total liabilities	<u><u>536,306</u></u>
Total Hitachi, Ltd. stockholders' equity	284,484
Non-controlling interests	251,235
Total equity	<u>535,719</u>
Total liabilities and equity	<u><u>1,072,025</u></u>

(c) Additional acquisition of shares of Hitachi Energy Ltd (hereinafter "Hitachi Energy")

On September 30, 2022, the Company signed an agreement with ABB Ltd (hereinafter "ABB") to acquire 19.9% of the shares of Hitachi Energy, a consolidated subsidiary of the Company in the Green Energy & Mobility segment, owned by ABB by exercising call options, owned by the Company.

As a result of additional acquisition of shares on December 28, 2022, the Company's ownership ratio of shares of Hitachi Energy increased from 80.1% to 100% and Hitachi Energy has become a wholly owned subsidiary of the Company. The consideration was 1,679 million U.S. dollars (243,200 million yen).

The Company derecognized the non-controlling interests and recognized the difference between the consideration and non-controlling interest in capital surplus.

Notes to Consolidated Financial Statements

(d) Sale of shares of Hitachi Construction Machinery Co., Ltd. (hereinafter “Hitachi Construction Machinery”)

On January 14, 2022, the Company entered into an agreement regarding the transfer of a part of the shares of Hitachi Construction Machinery, a consolidated subsidiary of the Company in the Hitachi Construction Machinery segment, with HCJI Holdings G.K., a special purpose company which is jointly invested by HCJ Holdings Ltd., a special purpose company wholly owned by a fund that Japan Industrial Partners, Inc. manages, operates, and provides information, and Citrus Investment LLC, a special purpose company wholly owned by ITOCHU Corporation. In accordance with this agreement, a certain number of shares of Hitachi Construction Machinery common stocks owned by the Company were transferred to HCJI Holdings G.K., on August 23, 2022.

As a result of this transfer of shares, the Company’s ownership ratio of shares of Hitachi Construction Machinery decreased from 51.4% to 25.4%, and Hitachi Construction Machinery turned into an equity-method associate of the Company. The Company’s consideration was 182,457 million yen.

A gain on the sale of Hitachi Construction Machinery shares in the amount of 39,211 million yen was recognized in Other income in the consolidated statement of profit or loss for the year ended March 31, 2023.

Furthermore, changes in non-controlling interests in the consolidated statement of changes in equity include derecognition of non-controlling interest in Hitachi Construction Machinery as a result of its deconsolidation.

The following table shows the assets, liabilities, and equity of Hitachi Construction Machinery as of March 31, 2022.

	<u>Millions of yen</u>
Cash and cash equivalents	87,583
Trade receivables and contract assets	237,792
Inventories	368,267
Investments in securities and other financial assets	62,193
Other current assets	8,421
Total current assets	<u>764,256</u>
Investments accounted for using the equity method	26,662
Investments in securities and other financial assets	63,197
Property, plant and equipment	442,904
Goodwill	55,367
Other intangible assets	58,967
Other non-current assets	29,321
Total non-current assets	<u>676,418</u>
Total assets	<u><u>1,440,674</u></u>
Short-term debt	103,320
Current portion of long-term debt	81,731
Other financial liabilities	51,239
Trade payables	144,531
Accrued expenses	37,965
Contract liabilities	9,967
Other current liabilities	24,893
Total current liabilities	<u>453,646</u>
Long-term debt	229,487
Retirement and severance benefits	17,622
Other non-current liabilities	50,607
Total non-current liabilities	<u>297,716</u>
Total liabilities	<u><u>751,362</u></u>
Total Hitachi, Ltd. stockholders’ equity	318,069
Non-controlling interests	371,243
Total equity	<u>689,312</u>
Total liabilities and equity	<u><u>1,440,674</u></u>

Notes to Consolidated Financial Statements

(6) Trade Receivables and Contract Assets

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

	Millions of yen	
	March 31, 2024	March 31, 2023
Accounts receivable	1,975,770	1,972,168
Contract assets	930,743	804,500
Others	84,803	98,319
Total	2,991,316	2,874,987

Trade receivables and contract assets are stated as net of the allowance for doubtful receivables.

Others include electronically recorded monetary claims and notes receivable.

(7) Inventories

The components of inventories are as follows:

	Millions of yen	
	March 31, 2024	March 31, 2023
Finished goods	439,220	469,770
Semi-finished goods and work in process	597,357	592,860
Raw materials	474,070	583,558
Total	1,510,647	1,646,188

For the years ended March 31, 2024 and 2023, the amounts of inventories expensed and included as cost of sales were 5,053,376 million yen and 6,560,038 million yen, respectively, and the write-downs of inventories were 31,954 million yen and 60,278 million yen, respectively.

(8) Investments Accounted for Using the Equity Method

The aggregated carrying amounts of investments accounted for using the equity method as of March 31, 2024 and 2023, and the Company and certain subsidiaries' share of total comprehensive income of equity-method associates and joint ventures for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen			
	Associates		Joint ventures	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Carrying amount of investments	727,644	396,626	88,790	81,994

As of March 31, 2024 and 2023, the Company and certain subsidiaries' interests in certain joint ventures operating at a loss have the cumulative loss exceeding the Company and certain subsidiaries' investments, and thus the negative amounts of 1,128 million yen and 1,126 million yen, respectively, were recognized in Other non-current liabilities.

	Millions of yen			
	Associates		Joint ventures	
	2024	2023	2024	2023
Net income	58,251	40,911	17,033	11,936
Other comprehensive income	22,195	(5,857)	1,267	21,963
Total comprehensive income	80,446	35,054	18,300	33,899

Notes to Consolidated Financial Statements

(9) Property, Plant and Equipment

The following table shows the changes in the net carrying amounts of property, plant and equipment.

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Other	Construction in progress	Total
Net carrying amount								
March 31, 2022	256,392	723,067	679,334	183,821	312,420	148,474	175,393	2,478,901
Additions	376	7,000	29,963	19,573	98,585	3,270	190,979	349,746
Transfers between accounts	178	42,212	116,644	37,064	(4,163)	7,319	(199,254)	-
Sales and disposals	(4,536)	(9,584)	(4,366)	(2,641)	(7,020)	(11,355)	(3,305)	(42,807)
Depreciation	-	(50,060)	(135,592)	(66,387)	(91,971)	(12,794)	-	(356,804)
Impairment losses	(788)	(7,643)	(9,618)	(1,339)	(371)	(50)	(1,846)	(21,655)
Acquisitions and divestitures	(113,663)	(202,652)	(209,118)	(25,091)	(73,035)	(142,155)	(33,616)	(799,330)
Currency translation effect	2,868	15,559	25,234	3,838	6,992	(428)	4,028	58,091
Other	466	4,891	914	9,230	1,495	20,051	(2,718)	34,329
March 31, 2023	141,293	522,790	493,395	158,068	242,932	12,332	129,661	1,700,471
Additions	933	5,748	18,736	14,722	85,375	2,443	187,721	315,678
Transfers between accounts	3,801	49,233	73,175	31,069	(230)	586	(157,634)	-
Sales and disposals	(4,531)	(3,272)	(6,084)	(2,339)	(4,200)	(81)	(2,157)	(22,664)
Depreciation	-	(39,433)	(92,092)	(56,206)	(86,476)	(4,181)	-	(278,388)
Impairment losses	(103)	(2,055)	(2,384)	(812)	(209)	(16)	(620)	(6,199)
Acquisitions and divestitures	(53,398)	(128,697)	(278,826)	(26,522)	(26,077)	(6)	(65,613)	(579,139)
Currency translation effect	4,573	20,034	37,457	8,645	15,295	(2,135)	9,941	93,810
Other	(4,119)	(599)	(905)	6,288	(1,514)	4,226	(5,104)	(1,727)
March 31, 2024	88,449	423,749	242,472	132,913	224,896	13,168	96,195	1,221,842

The amount of depreciation recognized is included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss. Impairment losses are included in Other expenses in the consolidated statement of profit or loss.

Notes to Consolidated Financial Statements

The following table shows the gross carrying amounts and accumulated depreciation and impairment losses of property, plant and equipment.

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Other	Construction in progress	Total
Gross carrying amount								
March 31, 2022	329,445	1,852,873	3,024,650	1,001,685	657,010	246,691	353,891	7,466,245
March 31, 2023	210,288	1,302,106	2,186,968	865,630	526,665	26,543	313,586	5,431,786
March 31, 2024	92,229	999,856	1,092,588	657,139	519,870	29,237	305,575	3,696,494
Accumulated depreciation and impairment losses								
March 31, 2022	(73,053)	(1,129,806)	(2,345,316)	(817,864)	(344,590)	(98,217)	(178,498)	(4,987,344)
March 31, 2023	(68,995)	(779,316)	(1,693,573)	(707,562)	(283,733)	(14,211)	(183,925)	(3,731,315)
March 31, 2024	(3,780)	(576,107)	(850,116)	(524,226)	(294,974)	(16,069)	(209,380)	(2,474,652)

Impairment Losses Recognized for the Year Ended March 31, 2024:

The Connective Industries segment recognized impairment losses of 2,641 million yen, mainly attributable to the lower than expected future revenue on business assets of machineries in the Healthcare business.

Impairment Losses Recognized for the Year Ended March 31, 2023:

The Green Energy & Mobility segment recognized impairment losses of 11,292 million yen, mainly attributable to the lower than expected future revenue at the factory of rolling stocks in the U.K., recognizing impairment losses of 5,834 million yen on Buildings and structures, 4,548 million yen on Machinery and vehicles and 190 million yen on Land, respectively.

Notes to Consolidated Financial Statements

(10) Goodwill and Other Intangible Assets

The following table shows the changes in the net carrying amounts of Goodwill and Other intangible assets.

Millions of yen

	Goodwill	Other intangible assets					
		Software for internal use	Software for sale	Customer relationships	Technology	Other	Total
Net carrying amount							
March 31, 2022	2,153,706	154,808	49,558	711,653	117,172	223,937	1,257,128
Internal developments	-	24,833	10,515	-	-	88,573	123,921
Purchases	-	4,167	86	-	-	30,112	34,365
Transfers between accounts	-	56,620	15,141	-	-	(71,761)	-
Amortization	-	(51,787)	(21,052)	(45,687)	(15,703)	(33,669)	(167,898)
Impairment losses	(84,126)	(10,886)	(6,164)	-	-	(6,694)	(23,744)
Disposals	-	(1,696)	(30)	-	-	(1,865)	(3,591)
Acquisitions and divestitures	(87,966)	(20,229)	(322)	(15,534)	(6,426)	(14,927)	(57,438)
Currency translation effect	183,736	2,522	1,707	53,253	10,105	12,139	79,726
Other	-	492	11	-	-	1,716	2,219
March 31, 2023	2,165,350	158,844	49,450	703,685	105,148	227,561	1,244,688
Internal developments	-	20,908	12,658	-	-	88,405	121,971
Purchases	-	3,378	252	-	-	26,650	30,280
Transfers between accounts	-	34,952	18,586	-	-	(53,538)	-
Amortization	-	(49,283)	(20,426)	(45,185)	(15,992)	(40,348)	(171,234)
Impairment losses	-	(8,072)	(5,638)	-	-	(7,233)	(20,943)
Disposals	-	(1,338)	(442)	-	-	(1,995)	(3,775)
Acquisitions and divestitures	(64,493)	(41,423)	(25)	(61,800)	1,742	(45,867)	(147,373)
Currency translation effect	275,040	5,808	5,624	79,085	12,852	22,861	126,230
Other	(4,219)	1,442	(1,527)	-	-	(1,009)	(1,094)
March 31, 2024	2,371,678	125,216	58,512	675,785	103,750	215,487	1,178,750

The amount of amortization recognized is included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss. Impairment losses are included in Other expenses in the consolidated statement of profit or loss.

Notes to Consolidated Financial Statements

The following table shows the gross carrying amount and accumulated amortization and impairment losses of goodwill and other intangible assets.

Millions of yen

	Goodwill	Other intangible assets					
		Software for internal use	Software for sale	Customer relationships	Technology	Other	Total
Gross carrying amount							
March 31, 2022	2,210,512	696,925	602,142	801,610	149,743	636,471	2,886,891
March 31, 2023	2,229,739	699,414	621,620	815,503	145,470	524,418	2,806,425
March 31, 2024	2,420,134	668,350	652,857	825,438	153,967	531,825	2,832,437
Accumulated amortization and impairment losses							
March 31, 2022	(56,806)	(542,117)	(552,584)	(89,957)	(32,571)	(412,534)	(1,629,763)
March 31, 2023	(64,389)	(540,570)	(572,170)	(111,818)	(40,322)	(296,857)	(1,561,737)
March 31, 2024	(48,456)	(543,134)	(594,345)	(149,653)	(50,217)	(316,338)	(1,653,687)

The Company writes off goodwill from gross carrying amount and impairment losses if it has been fully impaired.

Impairment Losses Recognized for the Year Ended March 31, 2024:

The Digital Systems & Services segment recognized impairment losses of 18,449 million yen, mainly due to the lower than expected future revenue on software for internal use and sale as a result of changes in market trends.

Impairment Losses Recognized for the Year Ended March 31, 2023:

The Digital Systems & Services segment recognized impairment losses of 52,036 million yen, mainly consisting of the effect of repositioning the ERP on-premise business as a non-focal area, recognizing impairment losses of 31,917 million yen on goodwill, and the lower than expected future revenue recognizing impairment losses of 9,599 million yen on software for internal use, and 6,164 million yen on software for sale as a result of changes in market trends, respectively.

The Green Energy & Mobility segment recognized impairment losses of 38,411 million yen, mainly consisting of 38,394 million yen in impairment losses on goodwill in the power grids business in the second quarter of fiscal year 2022 due to the rise in discount rate following the significant rise in interest rates, etc. The recoverable amount was determined on the basis of value in use, which was measured at 10,600 million U.S. dollars (1,534,986 million yen) as of September 30, 2022, the date on which impairment losses were recognized. The calculation of the value in use, estimated future cash flows was discounted at the discount rate (before tax) of 13.2% derived from the weighted average cost of capital. Estimated future cash flows was based on business plan for five years and beyond the period covered by the business plan were calculated taking into account growth rate of 2.8%. The significant assumptions were revenue growth rates and gross profit ratios which reflected past experience and external information. The growth rate was set taking into account long-term inflation rate announced by an external research organization and the impact of interest rates incorporated in the discount rate at the time of the annual impairment test of the goodwill.

Expenditures on research activities aimed at obtaining new scientific or technical knowledge or understanding are expensed when incurred. Expenditures on development activities for a new or major improvement of production plan or design prior to the beginning of commercial production or use are capitalized as an internally generated intangible asset only when such expenditures attributable to the intangible asset can be reliably measured, it is feasible for the Company to complete the development, and it is highly probable that the Company will obtain the future economic benefit. Otherwise, the expenditures are recognized as an expense when incurred.

The carrying amounts of internally generated other intangible assets (at cost less accumulated amortization and impairment losses) as of March 31, 2024 and 2023 amounted to 262,555 million yen and 286,839 million yen, respectively. These assets are mainly included in software for internal use or software for sale.

Research and development expenditures recognized as an expense for the years ended March 31, 2024 and 2023 were 290,145 million yen and 316,280 million yen, respectively, and they are included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss.

Notes to Consolidated Financial Statements

The Company tests goodwill acquired through business combinations for impairment by comparing the carrying amount and the recoverable amount per CGU (or group of CGUs).

The following are the group of CGUs with a significant proportion of goodwill allocated for the year ended March 31, 2024.

As of March 31, 2024, the group of CGUs with a significant proportion of goodwill allocated was the power grids business in the Green Energy & Mobility segment, and the carrying amount of goodwill allocated to the power grids business was 623,034 million yen. The recoverable amount used in the impairment test of goodwill of the power grids business was calculated based on the value in use and in calculation of the value in use, estimated future cash flows was discounted at the discount rate (before tax) of 13.1% derived from the weighted average cost of capital. Estimated future cash flows was based on business plan for five years and beyond the period covered by the business plan were calculated taking into account growth rate of 3.0%. The key assumptions were revenue growth rates and gross profit ratios which reflected past experience and external information. The growth rate was set taking into account various indices such as long-term inflation rate announced by an external research organization.

As of March 31, 2024, the group of CGUs with a significant proportion of goodwill allocated was the Services & Platforms business in the Digital Systems & Services segment, and the carrying amount of goodwill allocated to the Services & Platforms business was 1,397,890 million yen. The recoverable amount used in the impairment test of goodwill of the Services & Platforms business was calculated based on the fair value less costs of disposal. The fair value less costs of disposal was calculated by the market approach based on EV/EBITDA valuation multiples of similar companies that were comparable to the Services & Platforms business. The fair value hierarchy classification was level 3 measured by unobservable inputs.

The following are the group of CGUs with a significant proportion of goodwill allocated for the year ended March 31, 2023.

As of March 31, 2023, the group of CGUs with a significant proportion of goodwill allocated was the power grids business in the Green Energy & Mobility segment, and the carrying amount of goodwill allocated to the power grids business was 524,951 million yen. Impairment losses on the goodwill of Hitachi Energy were recognized in the second quarter of fiscal year 2022. Details of the impairment losses are described in Impairment Losses Recognized for the Year Ended March 31 2023 above. Furthermore, the Company performed the annual impairment test of the goodwill of the power grids business in the fourth quarter of fiscal year 2022. The recoverable amount used in the annual impairment test of goodwill of the power grids business was calculated based on the value in use and in calculation of the value in use, estimated future cash flows was discounted at the discount rate (before tax) of 13.2% derived from the weighted average cost of capital. Estimated future cash flows was based on business plan for five years and beyond the period covered by the business plan were calculated taking into account growth rate of 2.9%. The key assumptions were revenue growth rates and gross profit ratios which reflected past experience and external information. The growth rate was set taking into account long-term inflation rate announced by an external research organization and the impact of interest rates incorporated in the discount rate at the time of the annual impairment test of the goodwill. Additional impairment losses were not recognized as the result of the annual impairment test.

As of March 31, 2023, the group of CGUs with a significant proportion of goodwill allocated was the Services & Platforms business unit in the Digital Systems & Services segment, and the carrying amount of goodwill allocated to the Services & Platforms business unit was 1,238,239 million yen. The recoverable amount used in the impairment test of goodwill of the Services & Platforms business unit was calculated based on the value in use and in calculation of the value in use, estimated future cash flows was discounted at the discount rate (before tax) of 11.1% derived from the weighted average cost of capital. Estimated future cash flows was based on business plan for eight years and beyond the period covered by the business plan were calculated taking into account growth rate of 2.9%. The key assumptions were revenue growth rates and EBIT ratios which reflected past experience and external information. The Company considered that it is appropriate to reflect the medium- to long-term growth rate, which is specific to main business of the Services & Platforms business unit, to business plan and set the period of the business plan for eight years.

The Company considers it unlikely for the carrying amount of each CGU (or group of CGUs), together with allocated goodwill, would exceed the respective recoverable amounts of the CGU (or group of CGUs) even if the key assumptions used for the impairment test changed within a reasonable range.

Notes to Consolidated Financial Statements

(11) Leases

(a) Lessee

The Company and certain subsidiaries use leased facilities and equipment, including buildings, machinery and equipment and vehicles.

The following table shows the carrying amount of right-of-use assets at the end of March 31, 2024 and 2023 by class of underlying asset.

	Class of underlying asset					Millions of yen
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Other	Total
March 31, 2023	179,878	22,200	16,813	22,468	2,001	243,360
March 31, 2024	168,457	27,798	17,186	11,192	604	225,237

The following table shows the expenses relating to leases and cash outflow for the years ended March 31, 2024 and 2023.

	Millions of yen	
	2024	2023
Depreciation for right-of-use assets		
Buildings and structures	68,823	74,229
Machinery and vehicles	9,895	9,449
Tools, furniture and fixtures	6,950	6,928
Land	787	1,328
Other	306	284
Total	86,761	92,218
Interest charges on lease liabilities	5,483	5,151
Expense relating to short-term leases, etc.	21,059	26,192
Expenses relating to leases	113,303	123,561

	Millions of yen	
	2024	2023
Total cash outflow for leases	118,607	128,590

Additions of right-of-use assets for the years ended March 31, 2024 and 2023 are disclosed in note 9.

Maturity analysis of lease liabilities at the end of March 31, 2024 and 2023 are disclosed in note 25.

Notes to Consolidated Financial Statements

(b) Lessor

The Company and certain subsidiaries lease certain assets such as buildings, machines, and equipment under finance and operating lease arrangements.

The following table shows lease income for the years ended March 31, 2024 and 2023.

	Millions of yen	
	2024	2023
Lease income from finance leases	399	718
Lease income from operating leases	251	32,460
Total lease income	650	33,178

A significant component of lease income from finance leases represents finance income on the net investment in the lease.

(i) Finance leases

The following table shows the maturity analysis of the finance lease payments receivable as of March 31, 2024 and 2023.

	Millions of yen	
	March 31, 2024	March 31, 2023
Undiscounted lease payments to be received		
Within 1 year	13,755	10,055
After 1 year but not more than 5 years	11,529	10,090
More than 5 years	4,909	6,225
Total	30,193	26,370
Unearned finance income relating to the lease payments receivable	(2,338)	(3,087)
Net investment in finance leases	27,855	23,283

(ii) Operating leases

The following table shows the maturity analysis of the undiscounted operating lease payments to be received as of March 31, 2024 and 2023.

	Millions of yen	
	March 31, 2024	March 31, 2023
Within 1 year	175	198
After 1 year but not more than 5 years	67	24
More than 5 years	-	-
Total	242	222

Notes to Consolidated Financial Statements

(12) Deferred Taxes and Income Taxes

The components of income taxes recognized in the consolidated statement of profit or loss and deferred taxes recognized in the consolidated statement of comprehensive income are as follows:

	Millions of yen	
	2024	2023
Income taxes		
Current tax expense	254,207	280,420
Deferred tax expense		
Temporary differences originated and reversed	(46,690)	(76,126)
Changes in realizability of deferred tax assets	(8,464)	(88,193)
Total	199,053	116,101
Deferred taxes recognized in OCI		
Net changes in financial assets measured at fair value through OCI	19,609	13,528
Remeasurements of defined benefit plans	910	(23,224)
Net changes in cash flow hedges	5,973	3,899
Foreign currency translation adjustments	(2,587)	(2,782)
Total	23,905	(8,579)

The Company and its Japanese subsidiaries were subject to a national corporate tax, an inhabitant tax and business tax, for the years ended March 31, 2024 and 2023, which in the aggregate resulted in a combined statutory income tax rate of approximately 30.5%.

The Company and a part of Japanese subsidiaries has applied a group tax sharing system from the year ended March 31, 2023. A part of foreign subsidiaries file consolidated income tax returns in certain jurisdictions.

As a result of the reevaluation of a realizability of deferred tax assets in line with an improvement of long-term forecast related to future taxable income of the Company and its Japanese subsidiaries which apply the group tax sharing system, for the year ended March 31, 2023, the Company and its Japanese subsidiaries recognized deferred tax assets on a part of deductible temporary differences which had previously been unrecognized.

Tax laws have been enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development in certain countries and regions in which the Company is engaged in business activities. Revenues amounted to 9,728,716 million yen for the year ended March 31, 2024, and revenues for the year ending March 31, 2025 are thus expected to exceed the 750 million euro threshold for the Pillar Two model rule. Therefore, the Company has performed an assessment of the potential exposure to global minimum income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (hereinafter “the Pillar Two income taxes”).

The assessment of the potential exposure to the Pillar Two model rules is based on the most recent tax filings of subsidiaries and country-by-country report and is performed by taking into account special factors and the impact of business combinations.

Based on this assessment, the Pillar Two income taxes may be imposed in certain countries in which the Company is engaged in business activities, however, the Company considers the impact on the Company’s financial position and business performance will not be material.

Notes to Consolidated Financial Statements

Reconciliations between the combined statutory income tax rate and the effective income tax rate are as follows:

	2024	2023
Combined statutory income tax rate	30.5%	30.5%
Share of (profits) losses of investments accounted for using the equity method	(2.8)	(2.0)
Change in excess amounts over the tax basis of investments in subsidiaries and investments accounted for using the equity method	0.6	0.9
Gain or loss on sale of investments in subsidiaries and investments accounted for using the equity method	(4.7)	(9.4)
Expenses not deductible for tax purposes	1.1	1.2
Impairment of goodwill	-	3.1
Change in realizability of deferred tax assets	(1.0)	(9.1)
Difference in statutory tax rates of foreign subsidiaries	(3.2)	(3.1)
Other, net	3.6	2.1
Effective income tax rate	24.1%	14.2%

Changes in deferred tax assets and liabilities are as follows:

Millions of yen

	March 31, 2024	March 31, 2023
Deferred tax assets, net at beginning of year	116,387	(44,897)
Recognized in profit or loss	55,154	164,319
Recognized in OCI	(23,905)	8,579
Acquisitions, divestitures and others	25,574	(11,614)
Deferred tax assets, net at end of year	173,210	116,387

Notes to Consolidated Financial Statements

Significant components of the deferred tax assets and liabilities are as follows:

Millions of yen

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	March 31, 2024	March 31, 2023	2024	2023
Deferred tax assets				
Retirement and severance benefits	49,403	65,082	(5,421)	45,642
Accrued expenses	187,635	180,488	9,873	43,833
Depreciation of property, plant and equipment	10,029	12,253	1,526	2,290
Net operating loss carryforwards	41,712	62,981	7,162	(4,478)
Net intercompany profits on inventories, P.P.E. and others	29,137	23,955	5,844	3,221
Deferred revenues	27,915	22,917	2,254	4,379
Other	163,040	127,464	25,695	20,669
Total deferred tax assets	508,871	495,140	46,933	115,556
Deferred tax liabilities				
Accelerated depreciation of P.P.E.	(853)	(1,489)	81	90
Investments in securities	(79,932)	(102,897)	(2,285)	33,423
Intangible assets	(193,214)	(196,534)	13,564	19,114
Other	(61,662)	(77,833)	(3,139)	(3,864)
Total deferred tax liabilities	(335,661)	(378,753)	8,221	48,763
Net deferred tax assets	173,210	116,387	55,154	164,319

From the beginning of the fiscal year ended March 31, 2024, the Company has adopted amendments to IAS12 “Income Taxes” (Deferred Tax related to Assets and Liabilities arising from a Single Transaction).

The Company applied this standard retrospectively and modified the amount of the fiscal year ended March 31, 2023.

The impact on the consolidated financial statements was not material except for the note to significant components of the deferred tax assets and liabilities.

Notes to Consolidated Financial Statements

Net deferred tax assets are included in the following accounts in the consolidated statement of financial position.

	Millions of yen	
	March 31, 2024	March 31, 2023
Other non-current assets	285,337	271,567
Other non-current liabilities	(112,127)	(155,180)
Total	173,210	116,387

Deferred tax liabilities are not recognized for excess amounts over the tax basis of investments in subsidiaries and investments accounted for using the equity method that are considered to be reinvested indefinitely, for such differences will unlikely reverse in the foreseeable future. The temporary differences related to undistributed earnings of subsidiaries for which deferred tax liabilities are not recognized were 1,055,601 million yen and 849,240 million yen, respectively, as of March 31, 2024 and 2023.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Although realization is not assured, the Company carries out an assessment of the scheduled reversals of deferred tax liabilities and projected future taxable income, including the execution of certain available tax strategies if needed. Based on these factors, the Company considers it is more likely than not it will realize the benefits of these deductible differences as of March 31, 2024.

Deductible temporary differences and net operating loss carryforwards for unrecognized deferred tax assets are as follows:

	Millions of yen	
	March 31, 2024	March 31, 2023
Deductible temporary differences	761,522	1,012,587
Net operating loss carryforwards	423,982	623,273
Total	1,185,504	1,635,860

Net operating loss carryforwards for unrecognized deferred tax assets will expire as follows:

	Millions of yen	
	March 31, 2024	March 31, 2023
Within 5 years	52,754	119,265
After 5 years but not more than 10 years	31,464	201,007
More than 10 years or do not expire	339,764	303,001
Total	423,982	623,273

Notes to Consolidated Financial Statements

(13) Trade Payables

The components of trade payables are as follows:

	Millions of yen	
	March 31, 2024	March 31, 2023
Accounts payable	1,343,234	1,463,971
Others	56,465	84,526
Total	1,399,699	1,548,497

Others include electronically recorded monetary claims and notes payable.

(14) Provisions

Changes in the balance and components of provisions for the year ended March 31, 2024 are as follows:

	Millions of yen				
	Asset retirement obligations	Provisions related to restructuring (structural reform)	Product warranty provisions	Provisions for expected losses on construction contracts	Other provisions
March 31, 2023	30,043	7,922	71,340	94,952	130,456
Additions	1,030	19,443	26,833	58,042	57,075
Utilized	(2,171)	(18,630)	(17,320)	(58,928)	(55,864)
Acquisitions and divestitures	(900)	(808)	(9,438)	-	(4,312)
Currency translation effects, and others	(211)	567	6,231	3,855	7,626
March 31, 2024	27,791	8,494	77,646	97,921	134,981
Current	631	8,241	69,854	96,607	121,692
Non-current	27,160	253	7,792	1,314	13,289

Asset Retirement Obligations

The Company and its subsidiaries recognize asset retirement obligations principally based on the estimated future expenditures using historical experience when the Company and its subsidiaries have a legal or contractual obligation associated with the retirement of tangible fixed assets used in normal operations, such as lease dilapidations of factory facilities and premises.

Provisions Related to Restructuring (Structural Reform)

Provision related to restructuring (structural reform) is recognized when the Company and its subsidiaries have a detailed formal plan for the restructuring of the business or a part of business and have raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected. The provision is recognized based on the estimated amount of direct expenditures attributable to restructuring.

Provisions related to restructuring (structural reform) mainly include special termination benefits for restructuring (structural reform).

Product Warranty Provisions

The Company and its subsidiaries provide warranties for certain products and services. Product warranty provisions are recognized by estimating future expenditures based principally on historical experience of warranty claims.

Provisions for Expected Losses on Construction Contracts

Provisions for expected losses on construction contracts are recognized based on future estimated losses as the Company and its subsidiaries fulfill long-term project requirements.

Notes to Consolidated Financial Statements

(15) Employee Benefits

(a) Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans and severance lump-sum payment plans, as well as defined contribution pension plans to provide retirement and severance benefits to substantially all employees.

The principal defined benefit pension plan is a corporate pension plan based on the Japanese Defined Benefit Corporate Pension Plan Act (the Act). Additionally, certain corporate pension plans adopt cash balance plans. Benefits under cash balance plans are calculated per each plan participant with a notional account balance, based on the contribution credits per salary level and interest credits based on market interest rate trends.

Pursuant to the Act, the Company has an obligation to make contributions to the Hitachi Pension Fund (the Fund) that manages the corporate pension plans. The directors of the Fund are responsible for faithfully executing operations in compliance with laws and regulations, and any orders issued by the Minister of Health, Labor and Welfare, and the director-generals of Regional Bureaus of Health and Welfare based on laws and regulations, as well as the rules of the Fund and the resolution of the Board of Representatives. The Fund prohibits the directors from acts that constitute conflicts of interests in the management and operation of the funds contributed for benefit payments (the contributions). If breached, the board members are jointly and severally held responsible.

The Fund is legally independent from the Company. The Board of Representatives comprises an equal number of representatives selected by the company and certain subsidiaries and representatives from the employee side. The proceedings of a Board of Representatives are decided by a majority vote of the members attending. In case of a tied vote, the chairman has the power to decide, except for exceptionally significant matters.

The actual management of the contributions is conducted by trustees in accordance with rules approved by the Board of Representatives. The Fund is responsible for managing the contributions to safely and efficiently manage the contributions by establishing the basic management policy of the contributions and preparing the management guidance in line with the policy submitted to the trustees.

The Company has future obligations to make contributions as defined by the Fund. The amount of contribution is periodically reviewed to the extent allowed by law.

Risk-sharing corporate pension plans determine a risk reserve contribution 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.

The risk-sharing corporate pension plan introduced by the Company and its subsidiaries is a mechanism in which management and labor unions share risks. At the time of the transfer to this system, the employer bears certain risks by making fixed contributions, including contributions to the risk-sharing corporate pension plan, in accordance with agreements between management and labor unions. In the event of a financial imbalance, the plan participants also bear certain risks by adjusting benefits. Under the defined benefit pension plan, employers were required to make additional contributions in the event of a funding shortfall. The risk-sharing corporate pension plan, however, measures the risks that may arise in the future, and sets contributions to the risk-sharing corporate pension plan within the scope of the agreement between management and labor unions in advance to balance contributions. The amount equivalent to the contributions made to risk-sharing corporate pension plan determined based on the level of the fiscal deterioration risk, which is calculated at the time of transfer, shall be contributed to the plan on a straight-line basis over five years from the date of transfer, and no additional contributions are required.

Notes to Consolidated Financial Statements

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. The risk-sharing corporate pension plans managed by the Hitachi Pension Fund impose no additional contribution obligations, so the risk-sharing corporate pension plans are also classified as defined contribution plans.

Since the Company and a consolidated subsidiary of the Company introduced a risk-sharing corporate pension plan on April 1, 2019, for current employees participating in the defined benefit pension plan managed by the Hitachi Pension Fund, the same has been promoted to the other subsidiaries that participate in pension plan managed by the Hitachi Pension Fund. On April 1, 2022, almost all the subsidiaries participating in the Hitachi Pension Fund had completed changing their pension plans from defined benefit pension plan to risk-sharing corporate pension plan for current employees. Therefore, 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, 51,185 million yen, was recognized as a settlement loss in Other expenses in the consolidated statement of profit or loss for the fiscal year ended March 31, 2023. In addition, in the consolidated statement of financial position for the fiscal year ended March 31, 2023, Other non-current assets decreased by 49,334 million yen, and Retirement and severance benefits increased by 1,851 million yen, respectively. Excluding the settlement loss in above, the impacts of changing pension plans on profit or loss for the fiscal year ended March 31, 2023 were not material. On April 1, 2023, all the subsidiaries participating in the Hitachi Pension Fund have completed changing their pension plans from defined benefit pension plan to risk-sharing corporate pension plan for current employees. However, the impacts on the consolidated financial statements for the fiscal year ended March 31, 2024 are not material.

The severance lump-sum payment plans provide a lump-sum payment at the time of retirement, and the benefit is calculated based on factors such as the salary level at retirement and the years of service. The Company and certain subsidiaries have an obligation to pay benefits directly to beneficiaries.

Defined contribution plans require companies to make contributions over a participation period, and plan participants themselves are responsible for the management of plan assets. Benefits are paid by the trustee, and the Company and certain subsidiaries' responsibility is limited to making contributions.

Notes to Consolidated Financial Statements

Changes in the present value of defined benefit obligations and the fair value of plan assets for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen	
	March 31, 2024	March 31, 2023
Defined benefit obligations		
At beginning of year	1,053,570	1,879,432
Service cost	25,166	33,847
Interest cost	12,367	10,629
Plan amendments	(2,086)	(85)
Actuarial losses	(955)	(32,352)
Benefits paid	(73,436)	(89,487)
Acquisitions and divestitures	(42,103)	(272,034)
Transfer to defined contribution pension plan	(10)	(3,114)
Settlements/curtailments	(1,538)	(3,901)
Effect of shift to risk-sharing corporate pension plan	(5,780)	(498,477)
Currency translation effect	30,840	29,112
At end of year	996,035	1,053,570
Fair value of plan assets		
At beginning of year	800,064	1,598,966
Interest income	10,032	7,845
Return on plan assets (excluding interest income)	62,714	(15,176)
Employers' contributions	10,176	14,265
Employees' contributions	4,440	3,580
Benefits paid	(55,105)	(66,084)
Acquisitions and divestitures	(9,985)	(208,104)
Transfer to defined contribution pension plan	-	(830)
Settlements/curtailments	(2,287)	(3,886)
Effect of shift to risk-sharing corporate pension plan	(6,960)	(549,662)
Currency translation effect	29,415	19,150
At end of year	842,504	800,064
Effect of asset ceiling	58,510	8,186
Net liability amount recognized in the consolidated statement of financial position	212,041	261,692

Changes in the effect of asset ceiling are as follows:

	Millions of yen	
	March 31, 2024	March 31, 2023
At beginning of year	8,186	8,692
Interest income	242	111
Remeasurements		
Changes in the effect of asset ceiling	48,773	(1,365)
Currency translation effect	1,309	748
At end of year	58,510	8,186

Notes to Consolidated Financial Statements

The components of actuarial gain or loss are as follows:

	Millions of yen	
	March 31, 2024	March 31, 2023
Arising from changes in financial assumptions	1,337	35,015
Arising from changes in demographic assumptions	(143)	140
Other	(239)	(2,803)

The Company and certain subsidiaries remeasure the defined benefit obligations and plan assets at the end of the fiscal year. The discount rates used in actuarial calculation of defined benefit obligations are as follows:

	Percentage	
	March 31, 2024	March 31, 2023
Discount rate	1.2	1.2

If, at March 31, 2024, the discount rate rose by 0.5%, the defined benefit obligations would decrease by 42,006 million yen, and if the discount rate decreased by 0.5%, the defined benefit obligations would increase by 46,881 million yen.

The sensitivity analysis is based on an assumption that all other variables other than the one analyzed are held constant; in reality, changes in other assumptions may impact the outcome of the analysis.

The Fund's plan asset management is based on the safe and efficient management of the contributions, diversified investments and determination of the investment ratio that should be sustained over the long term. The Fund seeks to maintain current value of assets sufficient for future obligations. A target rate of return is established to ensure a stable long term rate of return on assets. A diversified investment strategy is carried out while a target asset allocation is established to achieve the target rate of return. The target asset allocation is based on the expected rate of return by each class of asset, the standard deviation of the rate of return and the correlation coefficient among the assets. If market values fluctuate exceeding certain levels, the investment ratio is adjusted to the target allocation ratio in order to control risks.

In selecting trustees or asset management companies, the Fund takes into account appropriate quantitative and qualitative evaluations. The Fund also presents its management policies to the trustees or asset management companies, and periodically receives asset management reports.

Notes to Consolidated Financial Statements

The fair values of plan assets invested as of March 31, 2024 and 2023 are as follows:

Millions of yen

	March 31, 2024		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity	1,643	-	1,643
Government bonds and municipal debt securities	3,367	218	3,585
Corporate bonds and other debt securities	-	6,785	6,785
Hedge funds	-	32,526	32,526
Securitization products	-	14,762	14,762
Cash and cash equivalents	22,827	-	22,827
Life insurance general accounts	-	117,539	117,539
Commingled funds	-	596,252	596,252
Other	1,063	45,522	46,585
Total	28,900	813,604	842,504

Millions of yen

	March 31, 2023		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity	1,178	168	1,346
Government bonds and municipal debt securities	3,203	200	3,403
Corporate bonds and other debt securities	-	5,783	5,783
Hedge funds	-	23,426	23,426
Securitization products	-	13,963	13,963
Cash and cash equivalents	30,694	-	30,694
Life insurance general accounts	-	79,720	79,720
Commingled funds	-	604,746	604,746
Other	3,085	33,898	36,983
Total	38,160	761,904	800,064

As of March 31, 2024, investments in equity were allocated to 100% in stocks listed in foreign markets. As of March 31, 2023, investments in equity were allocated to approximately 10% in stocks listed in Japan and 90% in stocks listed in foreign markets.

As of March 31, 2023, Japanese government bonds made up approximately 2% of the government bonds and municipal debt securities, the majority of which were Japanese national bonds. Foreign public bonds, as of March 31, 2024, took 100%, the majority of which were foreign national bonds, and as of March 31, 2023, foreign public bonds took approximately 98%, the majority of which were foreign national bonds.

As of March 31, 2024 and 2023, investments in corporate bonds and other debt securities were allocated to 100% in foreign corporate bonds and debt instruments.

Hedge funds primarily consist of investments in relative value strategy funds, event driven funds, equity long or short funds, and macroeconomic and Commodity Trading Advisor (CTA) funds.

Securitization products primarily consist of investments in equity of Japanese real estate funds, and debt and equity of collateralized loan obligations (CLO).

Notes to Consolidated Financial Statements

Commingled funds represent pooled institutional investments. As of March 31, 2024 and 2023, commingled funds were allocated to 30% in listed stocks, 40% in government bonds, 10% in corporate bonds and other debt securities, 10% in cash and cash equivalents and 10% in other assets.

Funding by the Fund is conducted by taking into account various factors such as funded status and actuarial calculations. For the purpose of maintaining balanced finance into the future, the bylaws of the Fund require recalculation of the contribution amounts at the end of fiscal year every five years. Basic assumptions (expected interest rates, mortality rates, withdrawal rate, etc.) are reviewed to recalculate the appropriate level of contribution.

The amount of contributions expected to be paid by the Company and its subsidiaries to the plan assets for the year ending March 31, 2025 is 11,335 million yen.

The weighted average duration (expected average maturity) of defined benefit obligations as of March 31, 2024 and 2023 were 10.0 years and 9.8 years, respectively.

Contributions made to defined contribution plans and expensed in profit or loss in the years ended March 31, 2024 and 2023 were 42,718 million yen and 44,087 million yen, respectively.

In addition, contributions made to the risk-sharing corporate pension plan and expensed in profit or loss in the years ended March 31, 2024 and 2023 were 37,778 million yen and 39,629 million yen, respectively. The amount of the contributions to the risk-sharing corporate pension plan expected to be paid by the Company and its subsidiaries for the year ending March 31, 2025 is 4,117 million yen.

(b) Employee Benefit Expenses

The aggregated amounts of employee benefit expenses including salary recognized in the consolidated statement of profit or loss for the years ended March 31, 2024 and 2023 were 2,868,049 million yen and 2,937,094 million yen, respectively.

Notes to Consolidated Financial Statements

(16) Equity

(a) Common Stock

	Number of shares	
	March 31, 2024	March 31, 2023
Total number of authorized shares	2,000,000,000	2,000,000,000

	Issued shares outstanding (Number of shares)	Capital amount (Millions of yen)
March 31, 2022	968,234,877	461,731
March 31, 2023	938,083,077	462,817
March 31, 2024	927,167,877	463,417

Note: For the year ended March 31, 2023, the Company issued new shares as restricted stock compensation, and the total number of issued shares increased by 337,000 shares on June 15, 2022, meanwhile the Company cancelled treasury stock, and the total number of issued shares decreased by 30,488,800 shares on December 14, 2022 to 938,083,077 shares.

For the year ended March 31, 2024, the Company issued new shares as restricted stock compensation, and the total number of issued shares increased by 158,200 shares on May 31, 2023, meanwhile the Company cancelled treasury stock, and the total number of issued shares decreased by 11,073,400 shares on October 18, 2023 to 927,167,877 shares.

Shares issued by the Company are non-par value common stock. The issued shares above include treasury stock. The changes in treasury stock for the years ended March 31, 2024 and 2023 are as follows:

	Treasury stock	
	(Number of shares)	(Millions of yen)
March 31, 2022	998,721	3,002
Acquisition of treasury stock	30,084,761	200,212
Sales of treasury stock	(83,852)	(258)
Cancellation of treasury stock	(30,488,800)	(199,417)
March 31, 2023	510,830	3,539
Acquisition of treasury stock	11,139,272	100,458
Sales of treasury stock	(30,529)	(213)
Cancellation of treasury stock	(11,073,400)	(98,793)
March 31, 2024	546,173	4,991

The number of shares of the Company held by the Company's associates as of March 31, 2024 and 2023 were 31,100 shares.

(b) Surplus

(i) Capital Surplus

The Companies Act of Japan mandates that at least half of paid-in capital be appropriated as common stock and the rest be appropriated as legal reserve within capital surplus.

The changes in capital surplus include the effect of changes in the Company's ownership interest in its consolidated subsidiaries and cancellation of treasury stock. For the years ended March 31, 2024 and 2023, the changes in capital surplus were mainly the decrease due to the cancellation of treasury stock.

In the event that the balance of capital surplus at the end of a period is negative, the Company transfers from retained earnings to ensure a capital surplus is maintained.

Notes to Consolidated Financial Statements

(ii) Retained Earnings

The Companies Act of Japan requires that ten percent of retained earnings appropriated for dividends be retained until the total amount of earned reserves included in capital reserve and retained earnings reaches a quarter of the nominal value of common stock. Earned reserves may be available for dividends by resolution at the shareholders' meeting.

(17) Accumulated Other Comprehensive Income (AOCI) and Other Comprehensive Income (OCI)

Components of AOCI, net of related tax effects, presented in the consolidated statement of changes in equity, and changes in each component for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen	
	2024	2023
Foreign currency translation adjustments		
Balance at beginning of year	635,260	444,651
OCI, net of reclassification	349,404	166,238
Net transfer of non-controlling interests	(232)	24,371
Balance at end of year	984,432	635,260
Remeasurements of defined benefit plans		
Balance at beginning of year	87,967	105,675
OCI	12,647	38,254
Net transfer of non-controlling interests	2,707	41
Reclassified into retained earnings	(282)	(56,003)
Balance at end of year	103,039	87,967
Net changes in financial assets measured at fair value through OCI		
Balance at beginning of year	115,355	110,109
OCI	45,389	22,260
Net transfer of non-controlling interests	5	(47)
Reclassified into retained earnings	(110,371)	(16,967)
Balance at end of year	50,378	115,355
Net changes in cash flow hedges		
Balance at beginning of year	7,810	(21,172)
OCI, net of reclassification	16,475	29,943
Net transfer of non-controlling interests	(2)	-
Others	(1,582)	(961)
Balance at end of year	22,701	7,810
Total AOCI		
Balance at beginning of year	846,392	639,263
OCI, net of reclassification	423,915	256,695
Net transfer of non-controlling interests	2,478	24,365
Reclassified into retained earnings	(110,653)	(72,970)
Others	(1,582)	(961)
Balance at end of year	1,160,550	846,392

Notes to Consolidated Financial Statements

The following shows a reconciliation of OCI, including non-controlling interests, to profit or loss items and deferred income tax effect per components of OCI during the years ended March 31, 2024 and 2023.

Millions of yen

		2024		
		Before tax	Tax effect	After tax
OCI arising during the year:				
	Foreign currency translation adjustments	460,465	(37)	460,428
	Remeasurements of defined benefit plans	14,782	(910)	13,872
	Net changes in financial assets measured at fair value through OCI	64,765	(19,609)	45,156
	Net changes in cash flow hedges	18,847	(5,294)	13,553
	Share of OCI of investments accounted for using the equity method	24,941	(1,280)	23,661
	Total	583,800	(27,130)	556,670
Reconciliation of OCI to profit or loss:				
	Foreign currency translation adjustments	(108,657)	2,624	(106,033)
	Net changes in cash flow hedges	2,041	(679)	1,362
	Share of OCI of investments accounted for using the equity method	(199)	-	(199)
	Total	(106,815)	1,945	(104,870)
OCI, net of reclassification adjustments:				
	Foreign currency translation adjustments	351,808	2,587	354,395
	Remeasurements of defined benefit plans	14,782	(910)	13,872
	Net changes in financial assets measured at fair value through OCI	64,765	(19,609)	45,156
	Net changes in cash flow hedges	20,888	(5,973)	14,915
	Share of OCI of investments accounted for using the equity method	24,742	(1,280)	23,462
	Total	476,985	(25,185)	451,800
OCI, net of reclassification adjustments, attributable to non-controlling interests:				
	Foreign currency translation adjustments			25,471
	Remeasurements of defined benefit plans			1,320
	Net changes in financial assets measured at fair value through OCI			1,109
	Net changes in cash flow hedges			(15)
	Total			27,885
OCI, net of reclassification adjustments, attributable to Hitachi, Ltd. stockholders:				
	Foreign currency translation adjustments			328,924
	Remeasurements of defined benefit plans			12,552
	Net changes in financial assets measured at fair value through OCI			44,047
	Net changes in cash flow hedges			14,930
	Share of OCI of investments accounted for using the equity method			23,462
	Total			423,915

Notes to Consolidated Financial Statements

Millions of yen

		2023		
		Before tax	Tax effect	After tax
OCI arising during the year:				
	Foreign currency translation adjustments	308,396	(2,276)	306,120
	Remeasurements of defined benefit plans	16,978	23,224	40,202
	Net changes in financial assets measured at fair value through OCI	35,012	(13,528)	21,484
	Net changes in cash flow hedges	(4,584)	6	(4,578)
	Share of OCI of investments accounted for using the equity method	27,996	(6,747)	21,249
	Total	383,798	679	384,477
Reconciliation of OCI to profit or loss:				
	Foreign currency translation adjustments	(78,818)	5,058	(73,760)
	Net changes in cash flow hedges	15,748	(3,905)	11,843
	Share of OCI of investments accounted for using the equity method	(5,150)	7	(5,143)
	Total	(68,220)	1,160	(67,060)
OCI, net of reclassification adjustments:				
	Foreign currency translation adjustments	229,578	2,782	232,360
	Remeasurements of defined benefit plans	16,978	23,224	40,202
	Net changes in financial assets measured at fair value through OCI	35,012	(13,528)	21,484
	Net changes in cash flow hedges	11,164	(3,899)	7,265
	Share of OCI of investments accounted for using the equity method	22,846	(6,740)	16,106
	Total	315,578	1,839	317,417
OCI, net of reclassification adjustments, attributable to non-controlling interests:				
	Foreign currency translation adjustments			58,178
	Remeasurements of defined benefit plans			2,627
	Net changes in financial assets measured at fair value through OCI			56
	Net changes in cash flow hedges			(139)
	Total			60,722
OCI, net of reclassification adjustments, attributable to Hitachi, Ltd. stockholders:				
	Foreign currency translation adjustments			174,182
	Remeasurements of defined benefit plans			37,575
	Net changes in financial assets measured at fair value through OCI			21,428
	Net changes in cash flow hedges			7,404
	Share of OCI of investments accounted for using the equity method			16,106
	Total			256,695

Notes to Consolidated Financial Statements

(18) Dividends

Dividends paid on the Company's common stock for the years ended March 31, 2024 and 2023 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 27, 2023	74,144	Retained earnings	80.0	September 30, 2023	November 27, 2023
The Board of Directors on May 12, 2023	70,317	Retained earnings	75.0	March 31, 2023	June 2, 2023
The Board of Directors on October 28, 2022	66,277	Retained earnings	70.0	September 30, 2022	November 29, 2022
The Board of Directors on May 13, 2022	62,870	Retained earnings	65.0	March 31, 2022	June 2, 2022

The dividends on the Company's common stock whose record date falls in the year ended March 31, 2024 and the effective date falls in the next fiscal year is 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 13, 2024	92,662	Retained earnings	100.0	March 31, 2024	June 4, 2024

Notes to Consolidated Financial Statements

(19) Stock-based Compensation

The Company introduced a restricted stock compensation plan as stock-based compensation in place of the stock option plan and grants shares of restricted stock in place of the existing stock options as stock-based compensation from the year ended March 31, 2020, and the Company introduced a restricted stock unit compensation plan and grants restricted stock units from the year ended March 31, 2021. In addition, the Company introduced a performance-linked restricted stock unit compensation plan in place of a part of the restricted stock compensation plan and grants performance-linked restricted stock units from the year ended March 31, 2024.

Stock-based compensation expenses recognized for the years ended March 31, 2024 and 2023 were 2,260 million yen and 1,699 million yen, respectively.

(a) *Restricted stock compensation plan*

In accordance with the restricted stock compensation plan (hereinafter “Plan”) to be introduced by the Company, Executive Officers and Corporate Officers of the Company and a part of Officers of any of its subsidiaries (hereinafter “Eligible Persons”) will receive shares of common stock to be newly issued or disposed by the Company by making contributions in kind of the monetary compensation claims which are granted in order to allot the shares of restricted stock to the Eligible Persons. In addition, with respect to the issuance or disposition of shares of common stock of the Company under the Plan, the Company and each Eligible Person executes an agreement on allotment of restricted stock (hereinafter “Allotment Agreement”).

Outline of the Allotment Agreement

(i) Transfer restriction period

From the payment date relating to the issuance or disposition of the shares of restricted stock to the date on which the Eligible Person ceases to be an Executive Officer, Director or Corporate Officer of the Company or Officer of any of its subsidiaries.

(ii) Acquisition by the Company without consideration

If certain events set out in the Allotment Agreement occur, the Company will acquire the shares without any consideration promptly on or after a date notified to Eligible Persons. The Company will also acquire the shares for which the transfer restrictions are definitely not lifted at the time of such determination, without any consideration.

The outlines of issuance for the years ended March 31, 2024 and 2023 are as follows.

	March 31, 2024	March 31, 2023
Issuance date	May 31, 2023	June 15, 2022
Number of shares	103,800 shares	303,000 shares
Issue price per share [1] [2]	7,586 yen	6,448 yen

[1] The issue price for the year ended March 31, 2024 is the closing price per share for the Company’s common stock on April 26, 2023 (preceding business day of the date upon the decision by the President regarding the issuance of new shares) in the Prime Market of the Tokyo Stock Exchange, Inc.

[2] The issue price for the year ended March 31, 2023 is the closing price per share for the Company’s common stock on May 10, 2022 (preceding business day of the date upon the decision by the President regarding the issuance of new shares) in the Prime Market of the Tokyo Stock Exchange, Inc.

(b) *Performance-linked restricted stock unit (hereinafter “PSU”) compensation plan*

In accordance with the PSU plan to be introduced by the Company, Executive Officers and Corporate Officers of the Company and a part of Officers of any of its subsidiaries (hereinafter “Eligible Persons”) will be granted PSUs corresponding to the number of shares of the Company’s common stock (hereinafter “Shares to be Delivered”) set in advance for each Eligible Person. The PSUs will become vested depending on the degree of achievement of the evaluation KPI during a certain evaluation period and the shares of restricted stock will be delivered. PSU comprises of compensation with stock price condition and with conditions for achievement of Mid-term Management Plan targets. The detailed conditions for vesting Shares to be Delivered corresponding to each type of PSU are as follows.

Notes to Consolidated Financial Statements

Conditions for vesting Shares to be Delivered

- (i) In stock compensation with a stock price condition, the shares of restricted stock equivalent to 0 ~ 200% of the PSUs are granted in accordance with the results of comparing the Total Shareholder Return growth rate of the Company stock with the TOPIX growth rate and with the stock price growth rates of comparable companies in global competition as determined by the Compensation Committee for the three fiscal years beginning at the beginning of the fiscal year to which the PSUs are granted.
- (ii) In stock compensation with conditions for achievement of Mid-term Management Plan targets, the shares of restricted stock equivalent to the PSUs are granted when the target of ROIC and sustainability indicators during the period of Mid-term Management Plan covering the fiscal year when the PSUs are granted are achieved.

The Eligible Persons will receive shares of restricted stock to be newly issued or disposed by the Company by making contributions in kind of the monetary compensation claims which are granted after the end of each fiscal year in order to allot the shares of restricted stock to the Eligible Persons.

(c) Restricted stock unit (hereinafter “RSU”) compensation plan

In accordance with the RSU plan to be introduced by the Company, the Company’s non-Japanese Executive Officers and Corporate Officers (hereinafter “Eligible Persons”) will be granted RSUs corresponding to the number of shares of the Company’s common stock (hereinafter “Shares to be Delivered”) set in advance for each Eligible Person, and over three fiscal years after granting, one-third of the RSUs will become vested after the end of each fiscal year and the Shares to be Delivered and cash for the vested RSUs will be delivered.

The Eligible Persons will receive shares of common stock to be newly issued or disposed by the Company by making contributions in kind of the monetary compensation claims which are granted after the end of each fiscal year in order to allot the Shares to be Delivered to the Eligible Persons.

If the Eligible Persons retire due to expiration of their term of office, death or other legitimate reasons recognized by the Company’s Compensation Committee, they will receive the Shares to be Delivered and cash corresponding to the portion of RSUs granted reflecting the period from the granting date until such retirement.

(d) Stock option plan

Under the Company’s stock option plan, Executive Officers and Corporate Officers are granted the right to purchase shares of common stock of the Company (hereinafter “Stock Acquisition Rights”).

Details of the Company’s stock option plan for the years ended March 31, 2024 and 2023 are as follows.

Fiscal Year of Issuance and Name	Grant Date	Exercise period
Year ended March 31, 2019		
The Third Stock Acquisition Rights of Hitachi, Ltd.	April 11, 2018	From April 27, 2018 to April 26, 2048
Year ended March 31, 2018		
The Second Stock Acquisition Rights of Hitachi, Ltd.	April 6, 2017	From April 27, 2017 to April 26, 2047
Year ended March 31, 2017		
The First Stock Acquisition Rights of Hitachi, Ltd.	June 29, 2016	From July 15, 2016 to July 14, 2046

Conditions for the exercise of Stock Acquisition Rights

- (i) During the above exercise period, a holder of Stock Acquisition Rights may exercise all the Stock Acquisition Rights determined in accordance with the provisions of paragraph (ii) or (iii) below in a lump sum only within ten days (in case the last day is not a business day, the following business day) from the day immediately following the date on which he/she ceases to be an Executive Officer, a Director or a Corporate Officer of the Company.
- (ii) The number of Stock Acquisition Rights that a holder of Stock Acquisition Rights may exercise, shall be determined based on the ratio of the total shareholder return (hereinafter “TSR”) for shares of the Company for three years from the beginning of the fiscal year in which the date of allotment of the Stock Acquisition Rights falls (hereinafter “Waiting Period”) to the growth rate of TOPIX (Tokyo Stock Price Index) for the same period (hereinafter “TSR/TOPIX Growth Rate Ratio”): market condition.

Notes to Consolidated Financial Statements

- (iii) The number of Stock Acquisition Rights, that a holder of Stock Acquisition Rights who has left his/her position in the Company before the end of the Waiting Period (hereinafter “Resignee”) may exercise, shall be determined by reducing the number of Stock Acquisition Rights allotted to him/her in proportion to the term of office of the Resignee in the Waiting Period, and applying the TSR/TOPIX Growth Rate Ratio for the period from the beginning of the fiscal year in which the date of allotment of the Stock Acquisition Rights falls to the time of resignation in accordance with the provision of paragraph (ii) above.

A summary of stock option activity for the years ended March 31, 2024 and 2023 is as follows. The number of stock options is translated into their equivalent number of shares (20 shares per stock option).

	2024		2023	
	Number of shares (shares)	Weighted average exercise price (yen)	Number of shares (shares)	Weighted average exercise price (yen)
Outstanding at beginning of year	417,340	1	499,000	1
Granted	-	-	-	-
Forfeited [1]	-	-	-	-
Exercised	(29,720)	1	(81,660)	1
Expired	-	-	-	-
Outstanding at end of year	387,620	1	417,340	1
Exercisable at end of year	-	-	-	-

[1] Including the Stock Acquisition Rights which became non-exercisable because of the market condition.

The weighted average share prices at the date of exercise for the years ended March 31, 2024 and 2023 were 7,300.0 yen and 5,849.0 yen.

The range of exercise price as of March 31, 2024 and 2023 was 1 yen. The weighted average remaining contractual lives of stock options outstanding as of March 31, 2024 and 2023 were 23.2 years and 24.2 years, respectively.

Notes to Consolidated Financial Statements

(20) Revenues

(a) Disaggregation of revenue

The Company derives revenues primarily from contracts with customers.

The disaggregation of revenue attributable to each reportable segment and geographic area for the fiscal years ended March 31, 2024 and 2023 is as follows.

Effective from April 1, 2023, the Company reclassified its reportable segments. Accordingly, figures for the year ended March 31, 2023 have been restated on the basis of the reclassification. Details of the reclassification are described in note 4.

Millions of yen

2024							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
Digital Systems & Services	1,731,209	227,920	344,412	235,460	59,658	867,450	2,598,659
Green Energy & Mobility	426,098	466,546	665,049	1,009,260	485,349	2,626,204	3,052,302
Connective Industries	1,519,738	1,030,523	267,199	204,838	35,662	1,538,222	3,057,960
Automotive Systems	273,069	395,538	305,639	100,803	89,335	891,315	1,164,384
Hitachi Construction Machinery	-	-	-	-	-	-	-
Hitachi Metals	-	-	-	-	-	-	-
Others	427,956	60,131	7,029	9,751	2,929	79,840	507,796
Subtotal	4,378,070	2,180,658	1,589,328	1,560,112	672,933	6,003,031	10,381,101
Corporate items & Eliminations	(604,687)	(29,114)	(6,412)	(9,234)	(2,938)	(47,698)	(652,385)
Total	3,773,383	2,151,544	1,582,916	1,550,878	669,995	5,955,333	9,728,716

Millions of yen

2023							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
Digital Systems & Services	1,555,208	236,443	321,996	222,346	53,102	833,887	2,389,095
Green Energy & Mobility	424,825	410,651	458,978	829,338	346,127	2,045,094	2,469,919
Connective Industries	1,480,942	994,751	259,907	201,803	37,869	1,494,330	2,975,272
Automotive Systems	485,774	699,256	455,255	161,012	118,770	1,434,293	1,920,067
Hitachi Construction Machinery	80,640	83,040	94,671	80,460	136,303	394,474	475,114
Hitachi Metals	323,193	181,280	283,606	41,547	18,100	524,533	847,726
Others	411,560	65,676	6,121	8,141	4,120	84,058	495,618
Subtotal	4,762,142	2,671,097	1,880,534	1,544,647	714,391	6,810,669	11,572,811
Corporate items & Eliminations	(643,898)	(35,983)	(2,542)	(8,699)	(539)	(47,763)	(691,661)
Total	4,118,244	2,635,114	1,877,992	1,535,948	713,852	6,762,906	10,881,150

The Digital Systems & Services segment consists of Front Business, IT Services, and Services & Platforms, for which revenue amounted to 1,111,193 million yen, 969,816 million yen and 983,456 million yen for the year ended March 31, 2024 and 982,541 million yen, 886,508 million yen and 950,040 million yen for the year ended March 31, 2023, respectively (including intersegment transactions). Front Business and IT Services are operated mainly in Japan, and Services & Platforms is operated mainly in Japan, North America and Europe.

Notes to Consolidated Financial Statements

The Company's revenues include revenue recognized based on the pattern of the cost accrual arising from long-term projects. Of the revenue recognized during the fiscal years ended March 31, 2024 and 2023, the amount of revenue recognized based on the pattern of the cost accrual arising from long-term projects was 2,255,703 million yen and 1,805,588 million yen, respectively.

(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.

(Digital Systems & Services)

Front Business and IT Services primarily provide goods and services such as system integration, consulting and cloud service. Services & Platforms primarily provides IT products and software.

These long-term projects in system integration, consulting and cloud service businesses provide goods and services according to customers' specifications over a specified period of time, and revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost) 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.

In IT products and software businesses, 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. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

(Green Energy & Mobility and Connective Industries)

The Green Energy & Mobility segment includes revenue from businesses such as energy solutions and railway systems. The energy solutions business is operated mainly in Asia, North America, and Europe. The railway systems business is operated mainly in Europe. The Connective Industries segment includes revenue from businesses such as building systems, smart life & ecofriendly systems, measurement and analytical systems, and industry & distribution solutions. The building systems business is operated mainly in China, the smart life & ecofriendly systems business is operated mainly in Japan, the measurement and analytical systems business is operated mainly in Japan, Asia, North America, and Europe, and the industry & distribution solutions business is operated mainly in Japan.

Long-term projects related to contracts such as construction in these segments involve manufacturing and providing goods based on customers' specifications over a specified period of time. As performance obligations are satisfied over time, revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost). 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 elevators, home appliances, measurement and analytical systems, industrial equipment, etc. included in the Connective Industries 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. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

(Automotive Systems)

In the Automotive Systems segment, performance obligations are generally satisfied at a point in time upon completion or upon delivery of the goods, and revenue is recognized when control over goods is transferred to customers. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

Notes to Consolidated Financial Statements

(c) Information about contract balances

The following table shows the beginning and ending balances of Trade receivables, Contract assets and Contract liabilities from contracts with customers for the fiscal years ended March 31, 2024 and 2023.

Millions of yen

	2024		2023	
	March 31, 2024	April 1, 2023	March 31, 2023	April 1, 2022
Trade receivables	2,063,056	2,072,238	2,072,238	2,381,832
Contract assets	971,988	849,402	849,402	665,627
Contract liabilities	1,739,770	1,314,799	1,314,799	1,150,592

Of the revenue recognized during the fiscal years ended March 31, 2024 and 2023, the amount included in Contract liabilities at the beginning of the fiscal years was 800,909 million yen and 745,452 million yen, respectively. And the amount related to performance obligations satisfied in the past periods was not material.

(d) Transaction price allocated to remaining performance obligations

The following table shows the balance of unsatisfied performance obligations by reportable segment for the fiscal years ended March 31, 2024 and 2023.

Millions of yen

	March 31, 2024		March 31, 2023	
	Intersegment transactions	Balance of unsatisfied performance obligations	Intersegment transactions	Balance of unsatisfied performance obligations
Digital Systems & Services	69,825	1,446,972	52,481	1,253,318
Green Energy & Mobility	50,743	10,189,630	45,801	7,517,839
Connective Industries	107,453	2,019,113	106,653	1,825,227

Segments of the Company and its subsidiaries that have contracts under which revenue is recognized over a long period of time are primarily the Digital Systems & Services segment, Green Energy & Mobility segment and Connective Industries segment.

The estimated timing of unsatisfied performance obligations at the fiscal year ended March 31, 2024 is as follows.

Approximately 90% of the balance of unsatisfied performance obligations of the Digital Systems & Services segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.

Approximately 60% of the balance of unsatisfied performance obligations of the Green Energy & Mobility segment was expected to be satisfied within three years and approximately 20% after three years but no more than five years.

Approximately 90% of the balance of unsatisfied performance obligations of the Connective Industries segment was expected to be satisfied within three years.

The estimated timing of unsatisfied performance obligations at the fiscal year ended March 31, 2023 is as follows.

Approximately 90% of the balance of unsatisfied performance obligations of the Digital Systems & Services segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.

Approximately 60% of the balance of unsatisfied performance obligations of the Green Energy & Mobility segment was expected to be satisfied within three years and approximately 40% after three years but no more than five years.

Approximately 90% of the balance of unsatisfied performance obligations of the Connective Industries segment was expected to be satisfied within three years.

The remaining segments have contracts whose initial expected terms are generally one year or less. Accordingly, related information is excluded from this disclosure in accordance with the practical expedient.

(e) Assets recognized from the costs incurred for obtaining or fulfilling contracts with customers

The Company and its subsidiaries recognize the costs incurred for obtaining or fulfilling contracts with customers as an asset to the extent those costs are expected to be recovered. Such costs recognized as an asset as of March 31, 2024 and 2023 were not material.

Notes to Consolidated Financial Statements

(21) Other Income and Expenses

The main components of other income and expenses for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen	
	2024	2023
Net gain (loss) on sales and disposals of fixed assets	17,056	2,285
Impairment losses	(29,668)	(129,894)
Net gain (loss) on business reorganization and others	97,048	297,351
Special termination benefits	(19,443)	(9,323)

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

Impairment losses for the years ended March 31 2023 include 52,163 million yen in the Digital Systems & Services segment and 49,584 million yen in the Green Energy & Mobility segment. Details are described in note 9 and note 10.

Restructuring charges (structural reform expenses) included in Other expenses for the years ended March 31, 2024 and 2023 were 49,111 million yen and 139,217 million yen, respectively. Restructuring charges (structural reform expenses) include impairment losses and special termination benefits.

In addition, the settlement loss of 51,185 million yen recognized for the years ended March 31, 2023 due to the change to the risk-sharing corporate pension plan introduced by subsidiaries on April 1, 2022, is included in Other expenses for the years ended March 31, 2023. Details of this transaction are described in note 15.

(22) Financial Income and Expenses

The main components of financial income and expenses for the years ended March 31, 2024 and 2023 are as follows:

	Millions of yen	
	2024	2023
Dividends received	9,875	7,878
Exchange gain (loss)	7,068	(11,911)

Dividends received for the years ended March 31, 2024 and 2023 are from financial assets measured at fair value through other comprehensive income.

Notes to Consolidated Financial Statements

(23) Earnings Per Share (EPS) Information

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders are as follows:

	Number of shares	
	2024	2023
Weighted average number of shares on which basic EPS is calculated	929,605,301	948,247,986
Effect of dilutive securities		
Stock options	387,620	417,340
Restricted stock	784,832	493,790
Restricted stock units	24,405	5,419
Number of shares on which diluted EPS is calculated	930,802,158	949,164,535

	Millions of yen	
	2024	2023
Net income attributable to Hitachi, Ltd. stockholders		
Basic	589,896	649,124
Effect of dilutive securities	-	-
Diluted	589,896	649,124

	Yen	
	2024	2023
EPS attributable to Hitachi, Ltd. stockholders		
Basic	634.57	684.55
Diluted	633.75	683.89

Notes to Consolidated Financial Statements

(24) Supplementary Cash Flow Information

(a) Liabilities from financing activities

Changes in liabilities from financing activities for the years ended March 31, 2024 and 2023 are as follows:

Millions of yen

	Short-term debt	Bonds	Long-term borrowings	Lease liability	Total
March 31, 2022	1,234,119	357,548	1,207,825	327,220	3,126,712
Cash flows	(277,685)	(108,918)	2,583	(102,398)	(486,418)
Non-cash changes					
Finance lease liability incurred	-	-	-	98,925	98,925
Acquisitions and divestitures	(205,217)	(89,787)	(230,229)	(76,455)	(601,688)
Currency translation effect and others	26,433	1,157	42,815	5,412	75,817
March 31, 2023	777,650	160,000	1,022,994	252,704	2,213,348
Cash flows	(550,170)	60,000	(158,829)	(97,548)	(746,547)
Non-cash changes					
Finance lease liability incurred	-	-	-	85,528	85,528
Acquisitions and divestitures	(249,991)	-	(243,994)	(12,953)	(506,938)
Currency translation effect and others	60,338	-	59,184	15,109	134,631
March 31, 2024	37,827	220,000	679,355	242,840	1,180,022

(b) Income taxes paid

The cash flows regarding the sale of shares of Hitachi Metals and Hitachi Transport System after deducting the withholding tax on deemed dividend for the year ended March 31, 2023, were recognized as Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in cash flows from investing activities.

Income taxes paid including the withholding tax was 284,265 million yen for the year ended March 31, 2023.

Notes to Consolidated Financial Statements

(25) Financial Instruments and Related Disclosures

(a) Capital Management

The Company manages its capital under the policy of maintaining appropriate level of assets, liabilities and capital for current and future business operations, as well as optimizing the efficiency of capital utilization throughout the business operations.

The Company uses the total Hitachi, Ltd. stockholders' equity ratio as an important indicator in capital management and it is regularly monitored. The total Hitachi, Ltd. stockholders' equity ratio as of March 31, 2024 and 2023 were 46.7% and 39.5%, respectively.

The Company is not subject to any capital requirements except for the general rules such as the Japanese Company Law.

(b) Financial Risks

The Company is engaged in business activities world-wide, and constantly exposed to various risks such as market risks (mainly currency exchange risk and interest rate risk), credit risk and liquidity risk. The Company implements risk management policies to avoid or mitigate these financial risks.

(i) Currency Exchange Risk

The Company and its subsidiaries hold assets and liabilities exposed to currency exchange risk. In order to hedge this risk, the management uses forward exchange contracts or cross currency swaps.

For trade receivables and payables denominated in foreign currencies, the Company and its subsidiaries measure the future cash flows per currency on a monthly basis, and enter into forward exchange contracts using a constant ratio with the purpose of fixing the future cash flows arising from receivables and payables and forecasted transactions denominated in foreign currencies. The terms of forward exchange contracts are largely within one year. If necessary, the Company and its subsidiaries establish a risk control policy and a risk management approach specific to each transaction by reviewing the business characteristics, the structure of income and expenditure, and conditions of the contract. The Company and its subsidiaries hedge the risk exposure arising from specific transactions based on the risk control policy and the risk management approach.

To fix cash flows from long-term debt denominated in foreign currencies, the Company and its subsidiaries enter into cross currency swap agreements with the same maturities as the underlying debt. The hedging relationship between the forward exchange contracts or cross currency swaps and the underlying hedged items is highly effective in offsetting the impact from changes in foreign currency exchange rates.

The sensitivity analysis for currency exchange rates shown below indicates the impact on income before income taxes, in the Company's consolidated statement of profit or loss, if the Japanese yen depreciated by 1% on the foreign-currency-denominated financial instruments held by the Company and its subsidiaries as of March 31, 2024 and 2023, while all other variables are held constant.

Millions of yen			
	Currency	2024	2023
Impact on income before income taxes	US Dollar	2,336	2,447
	Euro	52	16

Notes to Consolidated Financial Statements

(ii) Interest Rate Risk

The Company and its subsidiaries are exposed to interest rate risk related principally to long-term debt obligations. In order to minimize this risk, the Company and its subsidiaries enter into interest rate swap agreements to control fluctuation risk of cash flows. The interest rate swaps entered into are mainly receive-variable, pay-fixed interest rate swaps. Under the interest rate swaps, the Company and its subsidiaries receive variable interest rate payments on long-term debt and make fixed interest rate payments, thereby creating fixed interest rate long-term debt.

Certain financing subsidiaries raise funds by issuing long-term debt with a fixed interest rate and lending it at variable interest rates, creating interest rate risk. In order to minimize this risk, interest rate swaps are used to convert, in effect, the fixed rate to a variable rate to manage fluctuations in fair value resulting from interest rate risk. The hedging relationship between the interest rate swaps and the underlying hedged items is highly effective in offsetting the impact from changes in cash flows and fair value resulting from interest rate risk.

The sensitivity analysis for interest rate shown below indicates the impact on income before income taxes, in the consolidated statement of profit or loss, if interest rates increased by 1% on the financial instruments (floating-interest financial assets and liabilities measured at amortized cost, financial assets and liabilities measured at fair value through profit or loss and derivatives) held by the Company and its subsidiaries as of March 31, 2024 and 2023, while all other variables are held constant.

Millions of yen		
	2024	2023
Impact on income before income taxes	(2,736)	(5,662)

(iii) Credit Risk

Trade receivables and contract assets, and other receivables resulting from operating activities of the Company and its subsidiaries are exposed to credit risk of the customers. Investments in debt securities held for managing cash surplus and equity instruments held for strategic purposes are exposed to credit risk of the issuers. Derivative transactions entered into in order to lower market risks are exposed to credit risk of the counter-party financial institutions.

For credit risk of customers, the Company conducts periodic credit checks as appropriate for the products sold and the customers' financial conditions and credit ratings. A credit limit is set according to the credit risk. For cash surplus, investment is restricted to low risk debt securities, and derivative transactions are entered into with financial institutions with high credit rating only.

No significant concentration of credit risk is present in a particular region or a customer, as the Company and its subsidiaries are engaged in diverse industries worldwide.

Notes to Consolidated Financial Statements

The changes in the balance of allowance for doubtful receivables for trade receivables, contract assets and other receivables, and the changes in the gross carrying amounts of trade receivables and contract assets, and other receivables corresponding to the allowance for doubtful receivables for the years ended March 31, 2024 and 2023 are as follows. Other receivables mainly consist of lease receivables and financial assets measured at amortized cost such as short-term loans receivable, other accounts receivable, debt securities measured at amortized cost and long-term loans receivable.

Millions of yen

Trade receivables and contract assets	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2022	28,960	51,985	80,945	3,021,093	107,311	3,128,404
Change, net	5,091	6,930	12,021	321,035	2,716	323,751
Credit-impairment [1]	(350)	350	-	(2,226)	2,226	-
Write-off [2]	(2,182)	(2,274)	(4,456)	(50,896)	(2,520)	(53,416)
Other [3]	(3,219)	(1,450)	(4,669)	(390,525)	(2,733)	(393,258)
March 31, 2023	28,300	55,541	83,841	2,898,481	107,000	3,005,481
Change, net	3,631	28,158	31,789	389,431	7,847	397,278
Credit-impairment [1]	(4,405)	4,405	-	(21,304)	21,304	-
Write-off [2]	(4,085)	(1,959)	(6,044)	(7,533)	(6,125)	(13,658)
Other [3]	451	5,317	5,768	(244,619)	5,916	(238,703)
March 31, 2024	23,892	91,462	115,354	3,014,456	135,942	3,150,398

Millions of yen

Other receivables	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2022	292	4,733	5,025	418,932	9,136	428,068
Change, net	77	567	644	38,650	1,462	40,112
Credit-impairment [1]	-	-	-	(137)	137	-
Write-off [2]	(1)	(1,296)	(1,297)	(3,557)	(1,398)	(4,955)
Other [3]	21	(2,592)	(2,571)	(85,440)	(6,970)	(92,410)
March 31, 2023	389	1,412	1,801	368,448	2,367	370,815
Change, net	84	(286)	(202)	29,287	(421)	28,866
Credit-impairment [1]	(122)	122	-	(355)	355	-
Write-off [2]	(1)	(4)	(5)	(1,381)	(11)	(1,392)
Other [3]	23	92	115	(29,764)	115	(29,649)
March 31, 2024	373	1,336	1,709	366,235	2,405	368,640

[1] The Company measures the allowance for doubtful receivables relating to credit-impaired financial assets based on individual assessment and, therefore, transfers them from collective assessment.

[2] The Company generally writes off and derecognizes the corresponding carrying amount when it has no reasonable expectations of recovering the financial asset in its entirety or a portion.

[3] Other mainly includes the impact of acquisitions and divestitures and currency translation effect.

The maximum exposure to the credit risk equals the financial assets' carrying amount, net of allowance for doubtful receivables, in the consolidated statement of financial position, if collateral held is not included. The maximum exposure to the credit risk from loan commitments is disclosed in note 29. The maximum exposure to the credit risk from guarantee obligations is disclosed in note 29.

Notes to Consolidated Financial Statements

(iv) Liquidity Risk

Trade payables and financial liabilities, such as long-term debts, held by the Company and its subsidiaries are exposed to liquidity risk. With respect to this risk, the Company and its subsidiaries try to optimize capital efficiency through efficient management of working capital, and maintain cash control through a centralized cash management system. They are also able to raise funds, as necessary, from capital markets through the issuance of debt and equity securities, and from commercial banks through borrowings and commitment lines. The total unused commitment lines as of March 31, 2024 are disclosed in note 29.

The following tables present the maturities of non-derivative financial liabilities. Trade payables are not included in the tables since the carrying amounts agree with the contractual cash flows and they all mature in less than one year.

Millions of yen

	March 31, 2024				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Short-term debt	37,827	38,051	38,051	-	-
Long-term debt					
Lease liabilities	242,840	257,076	79,559	140,850	36,667
Bonds	220,000	231,072	1,479	55,852	173,741
Long-term borrowings	679,355	709,884	124,916	564,885	20,083

Millions of yen

	March 31, 2023				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Short-term debt	777,650	778,586	778,586	-	-
Long-term debt					
Lease liabilities	252,704	265,017	80,785	149,329	34,903
Bonds	160,000	163,843	30,811	22,236	110,796
Long-term borrowings	1,022,994	1,063,672	45,657	940,611	77,404

The weighted average interest rate for short-term debt is 7.5%, and the weighted average interest rate for long-term borrowings is 2.2% with maturities ranging from 2024 to 2039.

Notes to Consolidated Financial Statements

The details on each bond issued are provided below.

Millions of yen							
Issuer	Name of bond	Issued	March 31, 2024	March 31, 2023	Security	Interest rates (%)	Mature in
The Company	Unsecured debenture #16	2013	-	30,000	Unsecured	0.8	2023
The Company	Unsecured debenture #17	2013	20,000	20,000	Unsecured	1.4	2028
The Company	Unsecured debenture #19	2020	20,000	20,000	Unsecured	0.2	2027
The Company	Unsecured debenture #20	2020	90,000	90,000	Unsecured	0.3	2030
The Company	Unsecured debenture #21	2023	10,000	-	Unsecured	0.6	2028
The Company	Unsecured debenture #22	2023	30,000	-	Unsecured	0.9	2030
The Company	Unsecured debenture #23	2023	50,000	-	Unsecured	1.2	2033
Total			220,000	160,000			

The following table shows the maturities of the main types of derivatives, expressed in gross amounts, even though they are net settlement derivatives.

Millions of yen					
		March 31, 2024			
		Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Forward exchange contracts	In	45,636	8,188	89	53,913
	Out	39,090	14,908	755	54,753
Cross currency swaps	In	57,347	684	-	58,031
	Out	9,562	89	-	9,651
Interest rate swaps	In	440	18,985	-	19,425
	Out	-	-	-	-
Option contracts	In	-	2,171	-	2,171
	Out	-	-	-	-

Millions of yen					
		March 31, 2023			
		Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Forward exchange contracts	In	21,367	4,806	-	26,173
	Out	24,765	13,775	-	38,540
Cross currency swaps	In	6,031	24,531	-	30,562
	Out	9,251	495	-	9,746
Interest rate swaps	In	128	19,702	-	19,830
	Out	8	-	-	8
Option contracts	In	-	-	-	-
	Out	-	-	-	-

Notes to Consolidated Financial Statements

(c) Fair Value of Financial Instruments

(i) 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.

Notes to Consolidated Financial Statements

(ii) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of March 31, 2024 and 2023 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				
	March 31, 2024		March 31, 2023	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
<u>Assets</u>				
Investments in securities and other financial assets				
Lease receivables	27,414	28,810	22,858	22,858
Debt securities	46,486	46,162	46,729	46,729
Long-term loans receivable	8,840	8,840	385	385
<u>Liabilities</u>				
Long-term debt [1]				
Bonds	220,000	218,586	160,000	159,250
Long-term borrowings	679,355	677,633	1,022,994	1,022,130

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

(iii) 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.

Notes to Consolidated Financial Statements

The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2024 and 2023.

March 31, 2024				Millions of yen
Class of financial instruments	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:				
Investments in securities and other financial assets				
Equity securities	510	-	35,404	35,914
Debt securities	10,523	5,648	2,901	19,072
Derivatives	-	132,410	2,171	134,581
Financial assets measured at fair value through other comprehensive income:				
Investments in securities and other financial assets				
Equity securities	58,929	-	105,910	164,839
Total financial assets at fair value	69,962	138,058	146,386	354,406
Financial liabilities measured at fair value through profit or loss:				
Other financial liabilities				
Derivatives	-	64,659	-	64,659
Total financial liabilities at fair value	-	64,659	-	64,659

March 31, 2023				Millions of yen
Class of financial instruments	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:				
Investments in securities and other financial assets				
Equity securities	335	-	28,352	28,687
Debt securities	8,684	4,145	4,959	17,788
Derivatives	-	78,327	-	78,327
Financial assets measured at fair value through other comprehensive income:				
Investments in securities and other financial assets				
Equity securities	234,175	-	104,445	338,620
Total financial assets at fair value	243,194	82,472	137,756	463,422
Financial liabilities measured at fair value through profit or loss:				
Other financial liabilities				
Derivatives	-	49,385	-	49,385
Total financial liabilities at fair value	-	49,385	-	49,385

Notes to Consolidated Financial Statements

The following tables present the changes in Level 3 instruments measured on a recurring basis for the years ended March 31, 2024 and 2023.

March 31, 2024				Millions of yen
Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of year	132,797	4,959	-	137,756
Gain (loss) in profit or loss [1]	512	(47)	-	465
Gain in OCI [2]	4,375	-	-	4,375
Purchases	10,408	39	2,095	12,542
Sales and redemption	(8,176)	(746)	-	(8,922)
Acquisitions and divestitures	(2,170)	(14)	-	(2,184)
Other	3,568	(1,290)	76	2,354
Balance at end of year	141,314	2,901	2,171	146,386
Unrealized gain (loss) relating to financial assets held at end of year [3]	480	(7)	-	473

March 31, 2023				Millions of yen
Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of year	123,632	5,686	-	129,318
Gain in profit or loss [1]	777	96	-	873
Loss in OCI [2]	(1,213)	-	-	(1,213)
Purchases	33,762	529	-	34,291
Sales and redemption	(13,513)	(521)	-	(14,034)
Acquisitions and divestitures	(13,964)	(846)	-	(14,810)
Other	3,316	15	-	3,331
Balance at end of year	132,797	4,959	-	137,756
Unrealized gain relating to financial assets held at end of year [3]	766	96	-	862

[1] Gain (loss) in profit or loss related to Financial assets measured at fair value through profit or loss is included in Financial income and Financial expenses in the consolidated statement of profit or loss.

[2] Gain (loss) in OCI related to Financial assets measured at fair value through other comprehensive income is included in Net changes in financial assets measured at fair value through OCI in the consolidated statement of comprehensive income.

[3] Unrealized gain (loss) relating to Financial assets measured at fair value through profit or loss held at the end of year is included in Financial income and Financial expenses in the consolidated statement of profit or loss.

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.

Notes to Consolidated Financial Statements

(iv) Other

Equity instruments held with the objective of maintaining and strengthening business relations with the issuers are classified as Financial assets measured at fair value through other comprehensive income. The following is a list of principal equity instruments designated as fair value through other comprehensive income and their fair values.

March 31, 2024	Millions of yen
Principal Financial assets measured at fair value through other comprehensive income	Fair value
JECC Corporation	22,298
Central Japan Railway Company	16,767
Nippon Steel Kowa Real Estate Co., Ltd.	10,265
LOGISTEED Holdings, Ltd.	9,993
Nippon Tochi-Tatemono Co., Ltd.	5,643
Invivoscribe, Inc.	4,845
Daiichi Sankyo Co., Ltd.	4,299
The Chiba Bank, Ltd.	3,784
Japan Nuclear Fuel, Ltd.	3,667
Sapporo Holdings, Ltd.	3,628

March 31, 2023	Millions of yen
Principal Financial assets measured at fair value through other comprehensive income	Fair value
Renesas Electronics Corporation	118,619
Mitsubishi HC Capital Inc.	39,459
JECC Corporation	22,298
Western Digital Corporation	15,556
Central Japan Railway Company	14,229
Nippon Steel Kowa Real Estate Co., Ltd.	9,810
Honda Motor Co., Ltd.	7,020
Nippon Tochi-Tatemono Co., Ltd.	5,438
Invivoscribe, Inc.	5,341
Daiichi Sankyo Co., Ltd.	4,340

See note 22 for dividends received from investment securities classified as Financial assets measured at fair value through other comprehensive income.

Accumulated gains and losses on valuation of Financial assets measured at fair value through other comprehensive income are reclassified into retained earnings when derecognized during the fiscal year. The net gains reclassified, net of taxes, for the years ended March 31, 2024 and 2023 were 110,371 million yen and 16,967 million yen, respectively. These financial assets were derecognized upon disposal of shares after reviewing particular business relations, or acquisitions and divestitures.

The information on Financial assets measured at fair value through other comprehensive income that were derecognized for the years ended March 31, 2024 and 2023 is as follows:

	Millions of yen	
	2024	2023
Fair value at the time of derecognition	246,758	111,441
Accumulated gains at the time of derecognition	148,808	23,754

Notes to Consolidated Financial Statements

(d) Derivatives and Hedging Activities

(i) Fair Value Hedge

Changes in the fair value of recognized assets and liabilities, and of derivatives designated as a fair value hedge of these assets and liabilities are recognized in profit or loss for the period in which the changes occur. Derivatives designated as a fair value hedge include forward exchange contracts associated with operating transactions, cross currency swaps agreements and interest rate swaps associated with financing transactions.

(ii) Cash Flow Hedge

Foreign Currency Risk

A portion determined as an effective hedge with respect to changes in the fair value of forward exchange contracts designated as an effective cash flow hedge of forecasted foreign-currency-denominated transactions are recognized in OCI. AOCI is subsequently reclassified into profit or loss when the hedged items affect profit or loss for the period. If a non-financial asset or a non-financial liability is recognized due to a hedged forecast transaction, the changes in the fair value of the derivative recognized in OCI are included directly in the acquisition cost or other carrying amount of the asset or liability at which point the asset or liability is recognized.

Interest Rate Risk

A portion determined as an effective hedge with respect to changes in the fair value of interest rate swaps designated as a hedge of the variability of cash flows associated with long-term debt are recognized in OCI. AOCI is subsequently reclassified to interest charges over the period in which the interest on the debt affects profit or loss.

When applying hedge accounting, the Company assesses hedge effectiveness through a qualitative assessment of whether the critical terms of the hedged item and the hedging instrument match or are closely aligned and whether changes in the fair value or cash flows of the hedging instrument offset changes in the fair value or cash flows of the hedged item in order to confirm that an economic relationship exists between the hedged item and the hedging instrument. The Company also sets appropriate hedge ratios based on the economic relationship between the hedged item and the hedging instrument and the Company's risk management policies. For the years ended March 31, 2024 and 2023, hedge ineffectiveness recognized in profit or loss were not material.

The notional amounts and carrying amounts of hedging instruments as of March 31, 2024 and 2023 are as follows. The carrying amount of hedging instruments is included in Investments in securities and other financial assets and Other financial liabilities or Other non-current liabilities in the consolidated statement of financial position.

March 31, 2024

Millions of yen

Hedging instruments	Notional amount		Carrying amount	
		More than 1 year	Assets	Liabilities
Fair value hedge				
Foreign currency risk	515,005	5,964	39,357	642
Interest rate risk	46,458	15,141	515	-
Cash flow hedge				
Foreign currency risk	511,522	53,517	22,713	6,638
Interest rate risk	196,833	196,833	18,910	-
Total	1,269,818	271,455	81,495	7,280

March 31, 2023

Millions of yen

Hedging instruments	Notional amount		Carrying amount	
		More than 1 year	Assets	Liabilities
Fair value hedge				
Foreign currency risk	196,388	76,303	25,192	553
Interest rate risk	41,120	27,767	1,048	-
Cash flow hedge				
Foreign currency risk	234,313	31,136	8,375	5,561
Interest rate risk	173,589	173,589	18,765	-
Total	645,410	308,795	53,380	6,114

Notes to Consolidated Financial Statements

The carrying amounts of hedged items related to fair value hedges as of March 31, 2024 and 2023 are as follows.

March 31, 2024

Millions of yen

Hedged items related to fair value hedges	Recognized in statement of financial position	Carrying amount	
		Assets	Liabilities
Foreign currency risk	Trade receivables and contract assets, Investments in securities and other financial assets, Current portion of long-term debt and Trade payables	344,572	170,433
Interest rate risk	Investments in securities and other financial assets	46,458	-
Total		391,030	170,433

March 31, 2023

Millions of yen

Hedged items related to fair value hedges	Recognized in statement of financial position	Carrying amount	
		Assets	Liabilities
Foreign currency risk	Trade receivables and contract assets, Investments in securities and other financial assets, Trade payables and Long-term debt	58,872	137,516
Interest rate risk	Investments in securities and other financial assets	41,120	-
Total		99,992	137,516

For the years ended March 31, 2024 and 2023, changes in the fair value of hedging instruments and hedged items related to fair value hedges and the accumulated amount of fair value hedge adjustments on hedged items included in the carrying amount of the hedged items were not material.

For the years ended March 31, 2024 and 2023, changes in the fair value of hedging instruments related to cash flow hedges recorded in Accumulated other comprehensive income are as follows.

Millions of yen

	April 1, 2023	Changes in fair value of hedging instruments recognized in other comprehensive income	Amount directly included in carrying amount of hedged assets or liabilities	Amount reclassified to profit or loss [1]	March 31, 2024
Foreign currency risk	(3,682)	18,702	(2,220)	2,041	14,841
Interest rate risk	18,765	145	-	-	18,910
Total	15,083	18,847	(2,220)	2,041	33,751

Millions of yen

	April 1, 2022	Changes in fair value of hedging instruments recognized in other comprehensive income	Amount directly included in carrying amount of hedged assets or liabilities	Amount reclassified to profit or loss [1]	March 31, 2023
Foreign currency risk	(7,939)	(10,150)	(1,322)	15,729	(3,682)
Interest rate risk	13,180	5,566	-	19	18,765
Total	5,241	(4,584)	(1,322)	15,748	15,083

Notes to Consolidated Financial Statements

[1] In the consolidated statement of profit or loss, the amount reclassified to profit or loss is included mainly in Revenues and Financial expenses for hedges of foreign currency risk and mainly in Interest charges for hedges of interest rate risk.

(e) Securitization of Financial Assets

For the purpose of providing diversified and stable financing, the Company and certain subsidiaries securitize certain financial assets, and transfer trade and lease receivables through certain third-party financial institutions or structured entities formed by these financial institutions. The Company does not consolidate such structured entities used for securitization purposes since it has been determined that they are not controlled by the Company.

These unconsolidated structured entities used for securitization purposes are operated in the ordinary course of business of the financial institutions, and they procure funds by issuing commercial paper and other borrowings. Basically, investors in these structured entities only have recourse to the assets owned by the entity itself, but not to any other assets held by the Company or its subsidiaries. The amount of assets transferred by the Company and certain subsidiaries is considerably small compared to the total assets of the structured entities sponsored by the financial institutions that purchase a large amount of assets from entities other than the Company and certain subsidiaries. The Company and certain subsidiaries have only limited exposure to the risks borne by these structured entities. The majority of the involvement with these structured entities used for securitization purposes by the Company and certain subsidiaries concerns the servicing of assets. The Company and certain subsidiaries do not provide any non-contractual support to the structured entities and have not made any implicit support arrangements with them.

For the securitizations of financial assets by the Company and certain subsidiaries, which resulted in derecognizing the financial assets in their entirety, the Company and certain subsidiaries retain no significant continuing involvement. For other securitizations of financial assets, the Company and certain subsidiaries do not derecognize the financial assets in their entirety when they retain substantially all credit risks and economic value related to the transferred financial assets through holding subordinated interests, and the carrying amounts of these financial assets are not material.

(26) Pledged Assets

As a general contractual term for long-term and short-term debt, banks may demand collateral and guarantees for present and future obligations, and retain rights to offset the liabilities with bank deposits when repayment is overdue or any breach of contract occurs.

Per trustee agreements of secured bonds and particular secured or unsecured loan agreements, trustees or lenders generally have the right to pre-approve profit distributions including dividend payments and new stock issues, as well as the right to demand additional collateral or mortgage.

The Company and its subsidiaries pledged a portion of their assets as collateral primarily for bank loans as follows:

	Millions of yen	
	March 31, 2024	March 31, 2023
Trade receivables and contract assets	310	349
Investments in securities and other financial assets	311	319
Land	2,167	2,002
Buildings and structures	3	2
Machinery and vehicles	6,918	-
Total	9,709	2,672

Notes to Consolidated Financial Statements

(27) Principal Subsidiaries

The Company's consolidated financial statements include the following subsidiaries listed below.

(As of March 31, 2024)

Reporting segment	Name of subsidiary	Business location	Ownership percentage of voting rights (%)
Digital Systems & Services	Hitachi Information & Telecommunication Engineering, Ltd.	Yokohama, Kanagawa	100.0
Digital Systems & Services	Hitachi Channel Solutions, Corp.	Shinagawa-ku, Tokyo	100.0
Digital Systems & Services	Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	100.0
Digital Systems & Services	Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	100.0
Digital Systems & Services	GlobalLogic Worldwide Holdings, Inc.	California, U.S.A.	100.0
Digital Systems & Services	Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	100.0
Digital Systems & Services	Hitachi Digital LLC	California, U.S.A.	100.0
Digital Systems & Services	Hitachi Digital Services LLC	California, U.S.A.	100.0
Digital Systems & Services	Hitachi Payment Services Private Limited	Chennai, India	100.0
Digital Systems & Services	Hitachi Vantara LLC	California, U.S.A.	100.0
Green Energy & Mobility	Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	80.0
Green Energy & Mobility	Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	100.0
Green Energy & Mobility	Hitachi Power Semiconductor Device, Ltd.	Hitachi, Ibaraki	100.0
Green Energy & Mobility	Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	100.0
Green Energy & Mobility	Hitachi Energy Ltd	Zurich, Switzerland	100.0
Green Energy & Mobility	Hitachi Rail Ltd.	London, U.K.	100.0
Connective Industries	Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Connective Industries	Hitachi Global Life Solutions, Inc.	Minato-ku, Tokyo	100.0
Connective Industries	Hitachi High-Tech Corporation	Minato-ku, Tokyo	100.0
Connective Industries	Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Connective Industries	Hitachi Industrial Products, Ltd.	Chiyoda-ku, Tokyo	100.0
Connective Industries	Hitachi Industry & Control Solutions, Ltd.	Taito-ku, Tokyo	100.0

Notes to Consolidated Financial Statements

(As of March 31, 2024)

Reporting segment	Name of subsidiary	Business location	Ownership percentage of voting rights (%)
Connective Industries	Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	100.0
Connective Industries	Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	70.0
Connective Industries	Hitachi Global Air Power US, LLC	Indiana, U.S.A.	100.0
Connective Industries	Hitachi Industrial Holdings Americas, Inc.	Illinois, U.S.A.	100.0
Connective Industries	JR Technology Group, LLC	Michigan, U.S.A.	100.0
Others	Hitachi Real Estate Partners, Ltd.	Chiyoda-ku, Tokyo	100.0
Others	Hitachi America, Ltd.	California, U.S.A.	100.0
Others	Hitachi Asia Ltd.	Singapore	100.0
Others	Hitachi (China), Ltd.	Beijing, China	100.0
Others	Hitachi Europe Ltd.	Stoke Poges, U.K.	100.0
Others	Hitachi India Pvt. Ltd.	New Delhi, India	100.0
-	Other 540 companies	-	-

Notes to Consolidated Financial Statements

(28) Related Party Transactions

(a) Related Party Transactions

The Company's and its subsidiaries' receivable and payable balances with associates and joint ventures are as follows:

Millions of yen		
With associates	March 31, 2024	March 31, 2023
Trade receivables and contract assets	75,562	39,762
Trade payables	37,128	40,398
Contract liabilities	38,201	20,078

Millions of yen		
With joint ventures	March 31, 2024	March 31, 2023
Trade receivables and contract assets	70,882	59,742

Revenue and purchase transactions of the Company and its subsidiaries with associates and joint ventures are as follows:

Millions of yen		
With associates	2024	2023
Revenues	163,852	164,164
Purchases	183,023	270,287

Millions of yen		
With joint ventures	2024	2023
Revenues	81,156	76,980
Purchases	8,754	9,534

(b) Compensation for Directors and Executive Officers of the Company

Millions of yen		
	2024	2023
Basic remuneration, year-end allowance and performance-linked compensation	3,780	3,687
Medium and long-term incentive compensation	1,888	1,279
Total	5,668	4,967

Notes to Consolidated Financial Statements

(29) Commitments and Contingencies

(a) Loan Commitments

(i) Loan Commitments to Associates and Others

The Company provides loan commitments to associates and others. The outstanding balance of loan commitments as of March 31, 2024 is as follows:

	Millions of yen
	March 31, 2024
Total commitments available	130
Less amount utilized	-
Balance available	130

Since some loan commitments require credit approval before execution, the amount of total commitments available may not be necessarily utilized in full.

(ii) Commitments with Financial Institutions

The Company has line of credit arrangements with banks in order to secure efficient financing for business operations. The total unused line of credit as of March 31, 2024 amounted to 505,000 million yen. The Company has commitment line agreements with a number of banks and pays commitment fees as consideration. These commitment agreements generally provide a one year term with renewal at the end of the term. The unused line of credit under these arrangements as of March 31, 2024 amounted to 305,000 million yen. The Company also maintains other commitment line agreements with several financial institutions, with terms of three years ending in July 2025. The unused line of credit under these arrangements as of March 31, 2024 amounted to 200,000 million yen.

(b) Commitments for Acquisition of Assets

As of March 31, 2024, outstanding commitments made to purchase property, plant and equipment were 20,702 million yen.

(c) Guarantee Obligations

The Company and certain subsidiaries provide debt guarantees to third parties. As of March 31, 2024, the balance of the guarantee obligations was 10,725 million yen.

(d) Litigation

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 yen 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. The compensation claim against these three companies was amended to approximately 51.0 billion yen in July 2018 and to approximately 50.5 billion yen in September 2022 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 yen 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 yen 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 in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of 263 million euro (42,940 million yen) and interest allegedly incurred by performance defects of a power plant. As of March 31, 2024, the amount of compensation claimed by the customer was changed to 270 million euro (44,081 million yen). Although the subsidiary in Europe will vigorously defend itself against this lawsuit, there can be no assurance that it will not be held liable for any amounts claimed.

Notes to Consolidated Financial Statements

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

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

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

(30) Subsequent Events

(a) Repurchase of Shares of Common Stock

The Board of Directors decided to repurchase shares of its own common stock pursuant to Article 459, Paragraph 1 of the Companies Act of Japan and Article 32 of the Company's Articles of Incorporation, as follows.

(i) Reason for repurchase

The Company views the return of profits to shareholders through enhancing corporate value from mid- and long-term perspective and paying dividends continuously as an important managerial issue. The Company has decided to repurchase its own shares this time, taking into consideration its financial condition and the progress of the asset sales.

(ii) Outline of the Repurchase

- 1) Class of shares to be repurchased
Common stock of the Company
- 2) Aggregate number of shares to be repurchased
Up to 21 million shares(*)
(2.27% of the number of outstanding shares (excluding treasury stocks))
(*)Aggregate number of shares to be repurchased will be 105 million shares after the effective date (July 1, 2024) of the Share Split that described below (b).
- 3) Aggregate amount of repurchase
Up to 200 billion yen
- 4) Period of the repurchase
From April 30, 2024 to March 31, 2025
- 5) Method of repurchase
Expected open market purchase through the Tokyo Stock Exchange

Notes to Consolidated Financial Statements

(b) Share Split and Partial Amendment of Articles of Incorporation

The Company has decided on April 26, 2024 to implement a share split and partially amend its Articles of Incorporation.

(i) Purpose of share split

The Company will conduct a share split in order to create a more investor-friendly environment and expand its investor base by reducing the amount per investment unit of the Company's shares.

(ii) Overview of share split

1) Method of share split

The Company will conduct a share split into 5 shares for every one common share held by shareholders recorded in the latest register of shareholders as of June 30, 2024.

2) Number of shares to be increased by share split(*)

Total number of issued shares before the share split	927,167,877 shares
Number of shares to be increased by this share split	3,708,671,508 shares
Total number of issued shares after the share split	4,635,839,385 shares
Total number of shares authorized to be issued after the share split	10,000,000,000 shares

(*) The number of shares shown above is calculated based on the total number of shares outstanding as of March 31, 2024, and may change by the record date of the share split.

(iii) Schedule

Date of public notice of the record date	June 14, 2024
Record date	June 30, 2024
Effective date	July 1, 2024

(iv) Amendment of the total shares authorized to be issued by the Company

The total number of shares authorized to be issued by the Company will be amended to 10,000,000,000 shares as of July 1, 2024.

(v) Impact on per share information

Assuming that the share split was performed at the beginning of the fiscal year ended March 31, 2023, per share information for the fiscal year ended March 31, 2024 and 2023 are as follows.

	2024	2023
Hitachi, Ltd. stockholders' equity per share	1,231.08 yen	1,054.39 yen
Basic EPS attributable to Hitachi, Ltd. stockholders	126.91 yen	136.91 yen
Diluted EPS attributable to Hitachi, Ltd. stockholders	126.75 yen	136.78 yen

(vi) Others

There will be no change in the amount of stated capital as a result of the share split.

As the share split will take effect on July 1, 2024, the year-end dividend for the fiscal year ending March 31, 2024, which has a dividend record date of March 31, 2024, will be paid based on the shares before the share split.

(31) Approval of Consolidated Financial Statements

The consolidated financial statements were approved on June 21, 2024 by Keiji Kojima, President and CEO of the Company.

Independent Auditor's Report

To the Stockholders and Board of Directors of
Hitachi, Ltd.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Hitachi, Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of recoverable amount of group of cash-generating units containing goodwill related to the power grids business

Description of Key Audit Matter

Hitachi, Ltd. (the Company) recognized goodwill in the amount of 623,034 million yen related to the power grids business (See Note (10) Goodwill and Other Intangible Assets). Such goodwill represents 26% of total goodwill and 5% of total assets of the Group. The Company performed an annual impairment test on the group of cash-generating units containing the goodwill for the year ended March 31, 2024.

The Company measured the recoverable amount based on value in use in the impairment test of the group of cash-generating units containing the goodwill. Value in use is determined using discounted future cash flows and is affected by estimates of future cash flows and the discount rate. Future cash flows are estimated based on the five-year business plan and the growth rate beyond the period covered by the business plan is taken into consideration. Key assumptions used for the business plan are revenue growth rates and gross profit ratios. The following growth rate beyond the period covered by the business plan and the discount rate were used by the Company.

Growth rate beyond the period covered by the business plan	3.0%
Discount rate (before taxes)	13.1%

Management judgements on status of orders and the feasibility of measures such as revising sales prices are required to estimate the revenue growth rates and gross profit ratios. In addition, the growth rate beyond the period covered by the business plan is determined based primarily on the long-term inflation rate forecast released by an external research institution. Management judgements on selection of appropriate models and input data are necessary to estimate the growth rate beyond the period covered by the business plan and the discount rate.

We determined that the measurement of the recoverable amount is a key audit matter because of the significance of the balance of goodwill and the significant impact on the consolidated financial statements from the management judgements related to the key assumptions.

Auditor's Response

We primarily performed the following procedures regarding the measurement of each recoverable amount of the group of cash-generating units containing the goodwill.

- We obtained an understanding of the business plan by examining related business planning materials.
- We assessed the effectiveness of the business planning process by comparing the business plan from the prior fiscal year with the corresponding operating results and the business plan at the time of the impairment test.
- We made inquiries of management about status of orders and measures to achieve the business plan such as revising selling prices, and compared revenue growth rates and gross profit ratios with actual operating results and available external data such as market research reports related to market growth rates.
- We involved valuation specialists from a network firm in assessing the valuation method of value in use, the growth rate beyond the period covered by the business plan and the discount rate. We assessed the appropriateness of models and input data utilized in the calculation regarding the growth rate beyond the period covered by the business plan and the discount rate. Further, we made inquiries of management about the growth rate beyond the period covered by the business plan, and assessed the level of growth rate beyond the period covered by the business plan.
- We made inquiries of management about the risks reflected in the discount rate and assessed their consistency with the risks reflected in future cash flows.
- We performed sensitivity analyses assuming reasonably possible changes in key assumptions, assessing the effect on the recoverable amount.

Estimation of total cost of long-term projects

Description of Key Audit Matter

Primarily in Digital Systems & Services segment, Green Energy & Mobility segment and Connective Industries segment, the Group has long-term projects involving the manufacture and provision of goods in accordance with customer specifications that are completed over specified periods of time to customers in a broad range of business areas across the world.

The Group recognizes revenues from long-term projects in the amount of 2,255,703 million yen by measuring the progress of the project mostly based on the cost incurred relative to the estimated total cost to satisfy the performance obligations (See Note (20) Revenues, (a) Disaggregation of revenue, (b) Information about satisfaction of performance obligations). Such revenues represent 23% of total revenues of the Group. Furthermore, the Group recognizes provisions for expected losses on construction contracts in the amount of 97,921 million yen based on the estimated amount of losses associated with fulfilling the project requirements (See Note (14) Provisions).

Estimations of total cost of long-term projects affect the corresponding amounts of revenues and provisions. Each of the Group's long-term projects is distinct in terms of customer requirements, such as detailed specifications and scheduling, and therefore estimations of total cost depend on management judgement. Estimations of total cost are particularly complex in relation to large-scale projects.

We determined that the estimation of total cost of long-term projects is a key audit matter because auditing estimations of total cost of long-term projects requires consideration of various factors affecting such estimations corresponding to each project as a result of the nature of the Group's long-term projects.

Auditor's Response

We obtained an understanding of the project management systems utilized by the Group as well as its processes for estimating total cost, and tested the relevant internal controls, including the approval of initial and revised operating budgets that serve as the basis of estimating total cost.

We selected samples of long-term projects, such as those projects whose total contract value exceeded certain materiality thresholds and projects subject to various qualitative risks, including delays in the progress of the project, and, on a quarterly basis, performed selected procedures from the following considering the status of each project:

- We obtained an understanding of the significant factors influencing the estimates related to customer specifications on goods and the timing of delivery and the effects of estimation uncertainty inherent in those significant factors influencing the estimates by examining contracts and project management materials and making inquiries of management and compared specific line items in the estimated total cost with corresponding quotations from suppliers.
- We assessed the management's judgements on the necessity of revising estimates of total cost considering the status of each project based on inquiries of management and by examining project management materials.
- We assessed the effectiveness of the processes for estimating total cost by comparing initial and previous period estimates with the actual total cost for completed projects and previous period estimates with the latest estimates for projects in progress.
- We additionally made separate inquiries to project managers for projects that were considered particularly significant to corroborate management explanations of their status.

Other Information

The other information comprises the information included in the annual report (Yukashoken Hokokusho) that contains audited consolidated financial statements but does not include the consolidated financial statements, financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit Committee is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

The fees for the audits of the financial statements of Hitachi, Ltd. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are presented in paragraph (3) titled “Audit” in Section 4 “Corporate Governance, etc.” included in Item IV “Information on the Company” in Part I of the annual report (Yukashoken Hokokusho) for the year ended March 31, 2024 of the Group.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 21, 2024

/s/ Koji Fujima
Designated Engagement Partner
Certified Public Accountant

/s/ Teruyasu Omote
Designated Engagement Partner
Certified Public Accountant

/s/ Shinya Yoshida
Designated Engagement Partner
Certified Public Accountant

(Translation)

Following is an English translation of the Internal Control Report filed under the Financial Instruments and Exchange Act of Japan. We have made the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

[Cover]

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 21, 2024
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Name and title of Representative]	Keiji Kojima, President & CEO
[Name and title of CFO]	Tomomi Kato, 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 Basic Framework of Internal Control over Financial Reporting

Mr. Keiji Kojima, President & CEO, and Mr. Tomomi Kato, Senior Vice President and Executive Officer, are responsible for establishing and maintaining internal control over financial reporting of Hitachi, Ltd. (the “Company”) and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

2. Matters Related to Scope of Assessment, Record Date, and Assessment Procedure

We assessed the effectiveness of our internal control over financial reporting on the record date as of March 31, 2024. We made this assessment in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In making this assessment, we evaluated internal control which may have a material effect on the entire financial reporting on a consolidated basis (“company-level controls”) and based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of our internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries, equity-method associates and joint ventures, from the perspective of the materiality that may affect the reliability of our financial reporting. The materiality that may affect the reliability of our financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company, its consolidated subsidiaries, equity-method associates and joint ventures. We did not include a part of consolidated subsidiaries, equity-method associates and joint ventures which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business units in descending order of total revenues (after elimination of intercompany transactions) for the previous fiscal year, and those business units whose combined amount of revenues reaches approximately 70% of total revenues on a consolidated basis were selected as “significant business units.” In addition, some of our equity-method associates and joint ventures which have a significant effect to our consolidated financial statements were selected as “significant business units.” At the selected significant business units, we included, in the scope of assessment, those business processes leading to revenues, accounts receivables and inventories and those business processes relating to greater likelihood of material misstatements and significant account involving estimates or forecasts as significant accounts that may have a material impact on our business objectives. Further, not only at selected significant business units, but also at other business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Related to Results of Assessment

As a result of the assessment above, we concluded that our internal control over financial reporting was effective as of March 31, 2024.

4. Supplementary Matters

None.

5. Special Notes

None.

TRANSLATION

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting under the Financial Instruments and Exchange Act and an audit of internal control over financial reporting under the attestation standards established by the American Institute of Certified Public Accountants.

In an audit of internal control over financial reporting under the Financial Instruments and Exchange Act, the auditors express an opinion on management's report on internal control over financial reporting, and do not express an opinion on the Company's internal control over financial reporting taken as a whole.

Independent Auditor's Report (filed under the Financial Instruments and Exchange Act of Japan)

June 21, 2024

Mr. Keiji Kojima, President & CEO
Hitachi, Ltd.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Designated Engagement Partner,
Certified Public Accountant: Koji Fujima

Designated Engagement Partner,
Certified Public Accountant: Teruyasu Omote

Designated Engagement Partner,
Certified Public Accountant: Shinya Yoshida

[Financial Statements Audit]

Opinion

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements of Hitachi, Ltd. and its consolidated subsidiaries (the Group) applicable to the fiscal year from April 1, 2023 to March 31, 2024.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position, results of operations and cash flows of the Group applicable to the fiscal year ended March 31, 2024, in accordance with International Financial Reporting Standards (IFRSs) under Article 93 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of recoverable amount of group of cash-generating units containing goodwill related to the power grids business

Description of Key Audit Matter

Hitachi, Ltd. (the Company) recognized goodwill in the amount of 623,034 million yen related to the power grids business (See Note (10) Goodwill and Other Intangible Assets). Such goodwill represents 26% of total goodwill and 5% of total assets of the Group. The Company performed an annual impairment test on the group of cash-generating units containing the goodwill for the year ended March 31, 2024.

The Company measured the recoverable amount based on value in use in the impairment test of the group of cash-generating units containing the goodwill. Value in use is determined using discounted future cash flows and is affected by estimates of future cash flows and the discount rate. Future cash flows are estimated based on the five-year business plan and the growth rate beyond the period covered by the business plan is taken into consideration. Key assumptions used for the business plan are revenue growth rates and gross profit ratios. The following growth rate beyond the period covered by the business plan and the discount rate were used by the Company.

Growth rate beyond the period covered by the business plan	3.0%
Discount rate (before taxes)	13.1%

Management judgements on status of orders and the feasibility of measures such as revising sales prices are required to estimate the revenue growth rates and gross profit ratios. In addition, the growth rate beyond the period covered by the business plan is determined based primarily on the long-term inflation rate forecast released by an external research institution. Management judgements on selection of appropriate models and input data are necessary to estimate the growth rate beyond the period covered by the business plan and the discount rate.

We determined that the measurement of the recoverable amount is a key audit matter because of the significance of the balance of goodwill and the significant impact on the consolidated financial statements from the management judgements related to the key assumptions.

Auditor's Response

We primarily performed the following procedures regarding the measurement of each recoverable amount of the group of cash-generating units containing the goodwill.

- We obtained an understanding of the business plan by examining related business planning materials.
- We assessed the effectiveness of the business planning process by comparing the business plan from the prior fiscal year with the corresponding operating results and the business plan at the time of the impairment test.
- We made inquiries of management about status of orders and measures to achieve the business plan such as revising selling prices, and compared revenue growth rates and gross profit ratios with actual operating results and available external data such as market research reports related to market growth rates.
- We involved valuation specialists from a network firm in assessing the valuation method of value in use, the growth rate beyond the period covered by the business plan and the discount rate. We assessed the appropriateness of models and input data utilized in the calculation regarding the growth rate beyond the period covered by the business plan and the discount rate. Further, we made inquiries of management about the growth rate beyond the period covered by the business plan, and assessed the level of growth rate beyond the period covered by the business plan.
- We made inquiries of management about the risks reflected in the discount rate and assessed their consistency with the risks reflected in future cash flows.
- We performed sensitivity analyses assuming reasonably possible changes in key assumptions, assessing the effect on the recoverable amount.

Estimation of total cost of long-term projects

Description of Key Audit Matter

Primarily in Digital Systems & Services segment, Green Energy & Mobility segment and Connective Industries segment, the Group has long-term projects involving the manufacture and provision of goods in accordance with customer specifications that are completed over specified periods of time to customers in a broad range of business areas across the world.

The Group recognizes revenues from long-term projects in the amount of 2,255,703 million yen by measuring the progress of the project mostly based on the cost incurred relative to the estimated total cost to satisfy the performance obligations (See Note (20) Revenues, (a) Disaggregation of revenue, (b) Information about satisfaction of performance obligations). Such revenues represent 23% of total revenues of the Group. Furthermore, the Group recognizes provisions for expected losses on construction contracts in the amount of 97,921 million yen based on the estimated amount of losses associated with fulfilling the project requirements (See Note (14) Provisions).

Estimations of total cost of long-term projects affect the corresponding amounts of revenues and provisions. Each of the Group's long-term projects is distinct in terms of customer requirements, such as detailed specifications and scheduling, and therefore estimations of total cost depend on management judgement. Estimations of total cost are particularly complex in relation to large-scale projects.

We determined that the estimation of total cost of long-term projects is a key audit matter because auditing estimations of total cost of long-term projects requires consideration of various factors affecting such estimations corresponding to each project as a result of the nature of the Group's long-term projects.

Auditor's Response

We obtained an understanding of the project management systems utilized by the Group as well as its processes for estimating total cost, and tested the relevant internal controls, including the approval of initial and revised operating budgets that serve as the basis of estimating total cost.

We selected samples of long-term projects, such as those projects whose total contract value exceeded certain materiality thresholds and projects subject to various qualitative risks, including delays in the progress of the project, and, on a quarterly basis, performed selected procedures from the following considering the status of each project:

- We obtained an understanding of the significant factors influencing the estimates related to customer specifications on goods and the timing of delivery and the effects of estimation uncertainty inherent in those significant factors influencing the estimates by examining contracts and project management materials and making inquiries of management and compared specific line items in the estimated total cost with corresponding quotations from suppliers.
- We assessed the management's judgements on the necessity of revising estimates of total cost considering the status of each project based on inquiries of management and by examining project management materials.
- We assessed the effectiveness of the processes for estimating total cost by comparing initial and previous period estimates with the actual total cost for completed projects and previous period estimates with the latest estimates for projects in progress.
- We additionally made separate inquiries to project managers for projects that were considered particularly significant to corroborate management explanations of their status.

Other Information

The other information comprises the information included in the annual report (Yukashoken Hokokusho) that contains audited consolidated financial statements but does not include the consolidated financial statements, financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. The Audit Committee is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing matters related to going concern, as required by IFRSs.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

[Internal Control Audit]

Opinion

Pursuant to Article 193-2, Section 2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the financial statements as at March 31, 2024 of Hitachi, Ltd. and its consolidated subsidiaries ("Management's Report").

In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting as at March 31, 2024 of Hitachi, Ltd. and its consolidated subsidiaries (the Group) is effective, presents fairly, in all material respects, the result of management's assessment of internal control over financial reporting in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Management's Report

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit Committee is responsible for monitoring and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not prevent or detect misstatements completely.

Auditor's Responsibilities for the Audit of Internal Control

Our objectives are to obtain reasonable assurance about whether Management's Report is free from material misstatement, and to issue an auditor's report that includes our opinion from an independent standpoint.

As part of an audit in accordance with auditing standards on internal control generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence relating to the result of management's assessment of internal control over financial reporting in Management's Report. The design and performance of audit procedures for internal control audits is based on our judgement in consideration of the materiality of the effect on the reliability of financial reporting.
- Consider the overall presentation of Management's Report with regards to the scope, procedures, and result of the assessment of internal control over financial reporting including descriptions by management.
- Obtain sufficient appropriate audit evidence regarding the result of management's assessment of internal control over financial reporting in Management's Report. We are responsible for the direction, supervision, and performance of the audit of Management's Report.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, any significant deficiencies in internal control that we identify, and the results of corrective measures for such significant deficiencies.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

Fee-related Information

The fees for the audits of the financial statements of Hitachi, Ltd. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2024 are presented in paragraph (3) titled "Audit" in Section 4 "Corporate Governance, etc." included in Item IV "Information on the Company" in Part I of the annual report (Yukashoken Hokokusho) for the year ended March 31, 2024 of the Group.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

(Translation)

Following is an English translation of the Confirmation Letter filed under the Financial Instruments and Exchange Act of Japan.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 21, 2024
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Name and title of Representative]	Keiji Kojima, President & CEO
[Name and title of CFO]	Tomomi Kato, 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 Annual Securities Report

Mr. Keiji Kojima, President & CEO, and Mr. Tomomi Kato, Senior Vice President and Executive Officer, confirmed that statements contained in the Annual Securities Report for the 155th fiscal year (from April 1, 2023 to March 31, 2024) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.