(Translation)

Annual Securities Report

(The 148th Business Term)

From April 1, 2016 to March 31, 2017

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

Hitachi, Ltd.

[Cover]

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[Company Name in English]	Hitachi, Ltd.
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[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

This is an English translation of the 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.

Certain information in "Part I. Information on the Company - II. Business Overview - 4. 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 June 19, 2019.

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	IFRS				
	Transition Date	145th business term	146th business term	147th business term	148th business term
Year end	April 1, 2013	March 2014	March 2015	March 2016	March 2017
Revenues	-	9,666,446	9,774,930	10,034,305	9,162,264
Income from continuing operations, before income taxes	-	678,498	518,994	517,040	469,091
Net income attributable to Hitachi, Ltd. stockholders	-	413,877	217,482	172,155	231,261
Comprehensive income attributable to Hitachi, Ltd. stockholders	-	665,372	337,578	(127,557)	299,397
Total Hitachi, Ltd. stockholders' equity	2,058,708	2,668,657	2,942,281	2,735,078	2,967,085
Total equity	3,157,567	3,868,831	4,296,342	4,125,570	4,096,995
Total assets	9,777,007	11,098,191	12,433,727	12,551,005	9,663,917
Total Hitachi, Ltd. stockholders' equity per share (yen)	426.18	552.62	609.35	566.48	614.56
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	-	85.69	45.04	35.65	47.90
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	-	85.66	45.00	35.62	47.88
Total Hitachi, Ltd. stockholders' equity ratio (%)	21.1	24.0	23.7	21.8	30.7
Return on equity (%)	-	17.5	7.8	6.1	8.1
Price earnings ratio (times)	-	8.9	18.3	14.8	12.6
Net cash provided by operating activities	-	306,777	451,825	812,226	629,582
Net cash used in investing activities	-	(550,179)	(612,545)	(730,799)	(337,955)
Net cash provided by (used in) financing activities	-	228,840	233,206	(26,467)	(209,536)
Cash and cash equivalents at end of year	523,357	560,657	701,703	699,315	765,242
Number of employees [Average number of part-time employees, etc.]	329,703	323,919 [48,432]	336,670 [48,592]	335,244 [45,111]	303,887

(Notes) 1. Our consolidated financial statements have been prepared in conformity with IFRS since the 146th business term.
2. Revenues do not include the consumption tax, etc.
3. Average number of part-time employees, etc. is not stated for the 148th business term since it was less than 10% of the number of employees.

(Millions of yen, unless otherwise stated)

Fiscal year	U.S. GAAP		
	144th business term	145th business term	146th business term
Year end	March 2013	March 2014	March 2015
Revenues	9,041,071	9,563,791	9,761,970
Income from continuing operations, before income taxes	344,537	573,691	535,612
Net income attributable to Hitachi, Ltd. stockholders	175,326	264,975	241,301
Comprehensive income	420,680	769,178	525,081
Total Hitachi, Ltd. stockholders' equity	2,082,560	2,651,241	2,930,309
Total equity	3,179,287	3,852,464	4,274,313
Total assets	9,809,230	11,016,899	12,395,379
Total Hitachi, Ltd. stockholders' equity per share (yen)	431.13	549.02	606.87
Net income attributable to Hitachi, Ltd. stockholders per share, basic (yen)	37.28	54.86	49.97
Net income attributable to Hitachi, Ltd. stockholders per share, diluted (yen)	36.29	54.85	49.93
Total Hitachi, Ltd. stockholders' equity ratio (%)	21.2	24.1	23.6
Return on equity (%)	9.1	11.2	8.6
Price earnings ratio (times)	14.6	13.9	16.5
Net cash provided by operating activities	583,508	439,406	447,348
Net cash used in investing activities	(553,457)	(491,363)	(610,255)
Net cash provided by (used in) financing activities	(180,445)	32,968	250,335
Cash and cash equivalents at end of year	527,632	558,217	709,531
Number of employees [Average number of part-time employees, etc.]	326,240 [48,535]	320,725 [48,391]	333,150 [48,548]

(Notes) 1. Our consolidated financial statements had been prepared in conformity with accounting principles generally accepted in the United States until the 145th business term. The figures for the 146th business term in the above table are unaudited financial information pursuant to the Financial Instruments and Exchange Act.

2. Revenues do not include the consumption tax, etc.

3. Effective from the 146th business term, in accordance with the provisions of the Accounting Standards Codification 205-20 "Presentation of Financial Statements - Discontinued Operations" of the U.S. Financial Accounting Standards Board, a part of the thermal power generation systems business is classified as a discontinued operation, which was not transferred to MITSUBISHI HITACHI POWER SYSTEMS, LTD. for the business integration in the thermal power generation systems with Mitsubishi Heavy Industries, Co., Ltd. The results of the discontinued operation are reported separately from continuing operations. In line with this classification, "Revenues" and "Income from continuing operations, before income taxes" for the 145th business term are reclassified.

(2) Financial data etc. of the Company

(Millions of yen, unless otherwise stated)

Fiscal year	144th business term	145th business term	146th business term	147th business term	148th business term
Year end	March 2013	March 2014	March 2015	March 2016	March 2017
Revenues	1,911,529	2,070,147	1,842,126	1,859,605	1,906,532
Ordinary income (loss)	76,050	17,887	(300)	(20,944)	71,599
Net income	57,681	57,856	85,262	64,934	97,724
Common stock	458,790	458,790	458,790	458,790	458,790
Number of issued shares (thousands of shares)	4,833,463	4,833,463	4,833,463	4,833,463	4,833,463
Total net assets	1,298,882	1,373,336	1,399,885	1,378,441	1,497,428
Total assets	3,423,417	3,570,087	3,749,326	3,868,633	4,070,247
Net assets per share (yen)	268.89	284.39	289.92	285.50	310.10
Dividends per share (yen) [Of the above, interim dividends per share (yen)]	10 [5]	10.5 [5]	12 [6]	12 [6]	13 [6]
Net income per share, basic (yen)	12.27	11.98	17.66	13.45	20.24
Net income per share, diluted (yen)	11.94	-	-	-	20.23
Stockholders' equity ratio (%)	37.9	38.5	37.3	35.6	36.8
Return on equity (%)	4.6	4.3	6.1	4.7	6.8
Price earnings ratio (times)	44.3	63.6	46.6	39.2	29.8
Dividend payout ratio (%)	81.5	87.6	68.0	89.2	64.2
Number of employees	33,665	33,500	31,375	37,353	35,631

(Notes) 1. Revenues do not include the consumption tax, etc.

2. "Net income per share, diluted" is not stated for the 145th, 146th and 147th business terms since there are no dilutive shares.

3. Average number of part-time employees, etc. is not stated since it was less than 10% of the number of employees.

2. History

Month/Year	History
1910	Founded as a repair shop at Hitachi copper mine of Kuhara Mining Company
February, 1920	Incorporated as Hitachi, Ltd. with the Hitachi and Kameido Works
February, 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 7 factories, including Totsuka Works
April, 1939	Established Taga Works, spun off Hitachi Research Laboratory from Hitachi Works
September, 1940	Established Mito Works
April, 1942	Established Central Research Laboratory
September, 1943	Merged Riken Vacuum Industry and established Mobara Works
March, 1944	Spun off Shimizu Works from Kameari Works
December, 1944	Spun off Tochigi Works from Taga Works
April, 1947	Established Hinode Shokai Co., Ltd. (currently Hitachi High-Technologies Corporation)
May, 1949	Established Higashi-Nippon Senikikai KK (later changed its name to Hitachi Medical Corporation)
February, 1950	Established Nitto Transport KK. (currently Hitachi Transport System, Ltd.)
May, 1955	Established Hitachi Sales Corporation
October, 1956	Spun off Hitachi Metals Industries, Ltd. (currently Hitachi Metals, Ltd.) and Hitachi Cable, Ltd.
November, 1956	Established Hitachi Kiden Kogyo, Ltd.
June, 1957	Spun off Kokubu Works from Hitachi Works
February, 1959	Established Yokohama Works
October, 1959	Established Hitachi New York, Ltd. (currently Hitachi America, Ltd.)
June, 1960	Equity participation in Nippon Business Consultant Co., Ltd. (later changed its name to Hitachi Information Systems, Ltd.)
August, 1960	Established Hitachi Geppan Corp. (later changed its name to Hitachi Credit Corporation)
February, 1961	Spun off Naka Works from Taga Works; Equity participation in Maxell Electric Industrial Co., Ltd. (currently Hitachi Maxell, Ltd.)
August, 1961	Established Katsuta Works
August, 1962	Established Kanagawa Works
February, 1963	Spun off Narashino Works from Kameido Works
April, 1963	Spun off Hitachi Chemical Company, Ltd.
February, 1966	Established Mechanical Engineering Research Laboratory
February, 1968	Spun off Sawa Works from Taga Works, spun off Tokai Works from Yokohama Works, and spun off Odawara Works from Kanagawa Works
February, 1969	Established Software Works
April, 1969	Established Ome Works
August, 1969	Established Omika Works
December, 1969	Spun off Hitachi Construction Machinery Co., Ltd.
May, 1970	Established Takasaki Works
September, 1970	Established Hitachi Software Engineering Co., Ltd.
April, 1971	Acquired Asahi Works from Hitachi Denshi, Ltd.
June, 1971	Established Production Engineering Research Laboratory
February, 1973	Established Systems Development Laboratory
June, 1974	Established Tsuchiura Works
November, 1974	Relocated Kameido Works and renamed to Nakajo Works
June, 1982	Established Hitachi Europe Ltd.
April, 1985	Established Advanced Research Laboratory
February, 1989	Established Hitachi Asia Pte. Ltd. (currently Hitachi Asia Ltd.)
February, 1991	Integrated Sawa Works into Automotive Products Division
August, 1991	Integrated Katsuta Works into Materials Process Technology Division; integrated Totsuka Works into Information & Telecommunication Division; integrated Naka Works into Instruments Division

Month/Year	History
February, 1992	Integrated Yokohama Works and Tokai Works into AV Products Division
August, 1992	Changed operation unit of home appliances, computers and electronic devices businesses from factory to business division
February, 1993	Integrated Semiconductor Technology Development Center, Musashi Works and Takasaki Works into Semiconductor Division
August, 1993	Integrated Shimizu Works into Air Conditioning Division, integrated Nakajo Works and Narashino Works into Industrial Equipment Division
August, 1994	Integrated Consumer Products Group and Image & Information Media Division and renamed to Consumer Products & Information Media Systems Group
October, 1994	Established Hitachi (China), Ltd.
February, 1995	Reorganized business groups as Power & Industrial Systems Group, Consumer Products & Information Media Systems Group, Information Systems Group and Electronics Components Group; integrated a part of R&D division and sales division into the business groups
April, 1995	Merged Hitachi Sales Corporation
April, 1999	Reorganized business groups into de facto companies to independently operate each business group
October, 2000	Merged Hitachi Credit Corporation with Hitachi Leasing Corp. and changed its name to Hitachi Capital Corporation
October, 2001	Split Instruments Group and Semiconductor Manufacturing Equipment Group via company split and reorganized as Hitachi High-Technologies Corporation; Split Industrial Machinery Systems Division via company split and reorganized as Hitachi Industries Co., Ltd.
April, 2002	Split Home Appliance Group via company split and reorganized as Hitachi Home & Life Solutions, Inc.; Split Industrial Equipment Group via company split and reorganized as Hitachi Industrial Equipment Systems Co., Ltd.
October, 2002	Split Display Group via company split and established Hitachi Displays, Ltd.; Split Telecommunication Equipment Division via company split and reorganized as Hitachi Communication Technologies, Ltd.; Turned Unisia Jecs Corporation (later changed its name to Hitachi Unisia Automotive, Ltd.) into a wholly owned subsidiary via share exchange
January, 2003	Acquired HDDs business from IBM Corp., and commenced operations as Hitachi Global Storage Technologies Netherlands B.V.
April, 2003	Split semiconductor business, centering on system LSIs, via company split and established Renesas Technology Corp. (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)
June, 2003	Adopted committee system as the Company’s corporate governance structure
October, 2004	Merged TOKICO, Ltd. and Hitachi Unisia Automotive, Ltd.; Split Mechatronics System Division, centering on ATMs, via company split and established Hitachi-Omron Terminal Solutions, Corp.
April, 2006	Split Social & industrial infrastructure business via company split and integrated with Hitachi Plant Engineering & Construction Co., Ltd., Hitachi Kiden Kogyo, Ltd. and Hitachi Industries Co., Ltd. and reorganized 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.
December, 2006	Turned Clarion Co., Ltd. into a consolidated subsidiary via tender offer
July, 2007	Split nuclear power systems business via company split and reorganized as Hitachi-GE Nuclear Energy, Ltd.
March, 2009	Turned Hitachi Koki Co., Ltd. into a consolidated subsidiary via tender offer; Turned Hitachi Kokusai Electric Inc. into a consolidated subsidiary via tender offer

Month/Year	History
July, 2009	Merged Hitachi Communication Technologies, Ltd.; Split Automotive Systems Group via company split and established Hitachi Automotive Systems, Ltd.; Split Consumer Business Group via company split and established Hitachi Consumer Electronics Co., Ltd.
October, 2009	Reorganized business groups into in-house companies with independent accounting to promote quick business operation
February, 2010	Turned Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd. and Hitachi Systems & Services, Ltd. into wholly owned subsidiaries
April, 2010	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 selling its shares in March 2014, and ceased to be an affiliate of the Company in March 2017 due to selling its shares)
October, 2010	Merged Hitachi Software Engineering Co., Ltd. with Hitachi Systems & Services, Ltd. and changed its name to Hitachi Solutions, Ltd.
October, 2011	Merged Hitachi Electronics Services Co., Ltd. with Hitachi Information Systems, Ltd. and changed its name to Hitachi Systems, Ltd.
March, 2012	Transferred HDDs business to Western Digital Corporation via share sale of Viviti Technologies Ltd., a holding company for Hitachi Global Storage Technologies Inc., etc. Transferred small and medium-sized displays business via share sale of Hitachi Displays, Ltd.
April, 2013	Merged Hitachi Plant Technologies, Ltd.
July, 2013	Merged Hitachi Metals, Ltd. with Hitachi Cable, Ltd.
February, 2014	Split thermal power generating systems business via company split and transferred to MITSUBISHI HITACHI POWER SYSTEMS, LTD.
March, 2014	Turned Hitachi Medical Corporation into a wholly owned subsidiary via share exchange (changed its name to Hitachi Healthcare Manufacturing, Ltd. following the reorganization of Hitachi's healthcare business in April 2016)
April, 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 customers' perspective
October, 2015	Hitachi Appliances, Inc. transferred its air-conditioning systems business to a joint venture established with Johnson Controls Inc.
April, 2016	Reorganized in-house companies into business units as a market-specific business structure
May, 2016	Turned Hitachi Transport System, Ltd. into an equity-method associate of the Company via sale of a part of its shares
October, 2016	Turned Hitachi Capital Corporation into an equity-method associate of the Company via sale of a part of its shares
March, 2017	Transferred power tools business via share sale of Hitachi Koki, Co., Ltd.

3. Description of Business

The Hitachi Group, which is comprised of the Company and 1,252 affiliates (864 consolidated subsidiaries and 388 equity-method associates and joint ventures.), engages in a broad range of business activities, from product development and manufacturing to sales and services, in 8 segments of Information & Telecommunication Systems, Social Infrastructure & Industrial Systems, Electronic Systems & Equipment, Construction Machinery, High Functional Materials & Components, Automotive Systems, Smart Life & Ecofriendly Systems and Others.

Major business outline for each segment and the positioning of principal affiliated companies are described as follows. The Company mainly engages in manufacturing and sales of products and providing services in the segments of Information & Telecommunication Systems, Social Infrastructure & Industrial Systems and Electronic Systems & Equipment.

(As of March 31, 2017)

Main products and services	Positioning of principal affiliated companies	
	Manufacturing	Sales and services
Information & Telecommunication Systems Systems Integration, Consulting, Cloud Services, Servers, Storage, Software, Telecommunications & Network, ATMs	[Consolidated subsidiaries] Hitachi Information & Telecommunication Engineering, Ltd. Hitachi-Omron Terminal Solutions, Corp. Hitachi Computer Products (America), Inc. Hitachi Financial Equipment System (Shen Zhen) Co., Ltd.	[Consolidated subsidiaries] Hitachi Solutions, Ltd. Hitachi Systems, Ltd. Hitachi Consulting Corporation Hitachi Data Systems Corporation Hitachi Payment Services Private Limited
Social Infrastructure & Industrial Systems Industrial Machinery and Plants, Elevators, Escalators, Railway Systems, Thermal, Nuclear and Renewable Energy Power Generation Systems, Transmission & Distribution Systems	[Consolidated subsidiaries] Hitachi-GE Nuclear Energy, Ltd. Hitachi Industrial Equipment Systems Co., Ltd. Hitachi Elevator (China) Co., Ltd. [Equity-method associates] MITSUBISHI HITACHI POWER SYSTEMS, LTD.	[Consolidated subsidiaries] Hitachi Building Systems Co., Ltd. Hitachi Industry & Control Solutions, Ltd. Hitachi Plant Construction, Ltd. Hitachi Plant Services Co., Ltd. Hitachi Power Solutions Co., Ltd. Hitachi Rail Europe Ltd. Horizon Nuclear Power Limited
Electronic Systems & Equipment Semiconductor Processing Equipment, Test and Measurement Equipment, Advanced Industrial Products, Medical Electronics Equipment	[Consolidated subsidiaries] Hitachi High-Technologies Corporation Hitachi Kokusai Electric Inc.	
Construction Machinery Hydraulic Excavators, Wheel Loaders, Mining Machinery	[Consolidated subsidiaries] Hitachi Construction Machinery Co., Ltd.	
High Functional Materials & Components Semiconductor and Display Related Materials, Circuit Boards and Materials, Automotive Parts (Molded Plastics, etc.), Energy Storage Devices, Specialty Steels, Magnetic Materials and Components, High Grade Casting Components and Materials, Wires and Cables	[Consolidated subsidiaries] Hitachi Chemical Company, Ltd. Hitachi Metals, Ltd.	
Automotive Systems Engine Management Systems, Electric Powertrain Systems, Drive Control Systems, Car Information Systems	[Consolidated subsidiaries] Clarion Co., Ltd. Hitachi Automotive Systems, Ltd. Hitachi Automotive Systems Americas, Inc.	
Smart Life & Ecofriendly Systems Air-Conditioning Equipment, Room Air Conditioners, Refrigerators, Washing Machines	[Consolidated subsidiaries] Hitachi Appliances, Inc. Hitachi Consumer Products (Thailand), Ltd.	[Consolidated subsidiaries] Hitachi Consumer Marketing, Inc. [Equity-method associates] Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd
Others Optical Disk Drives, Property Management	[Consolidated subsidiaries] Hitachi-LG Data Storage, Inc.	[Consolidated subsidiaries] Hitachi Life, Ltd. Hitachi Urban Investment, Ltd. Hitachi America, Ltd. Hitachi Asia Ltd. Hitachi (China), Ltd. Hitachi Europe Ltd. Hitachi India Pvt. Ltd. Hitachi Information & Telecommunication Systems Global Holding Corporation

(Notes) 1. Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China), Ltd., Hitachi Europe Ltd. and Hitachi India Pvt. Ltd. are the Hitachi Group's regional supervising company for Americas, Asia, China, Europe and India, and they sell the Hitachi Group's products.

2. In addition to the table above, the major equity-method associates are Hitachi Capital Corporation and Hitachi Transport System, Ltd.

4. Information on Affiliates

(1) Consolidated subsidiaries

(As of March 31, 2017)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Information & Telecommunication Engineering, Ltd.	Nishi-ku, Yokohama, Kanagawa	1,350	Information & Telecommunication Systems	100.0	The Company outsources design, development, manufacturing, evaluation and validation of storages, servers and telecommunication networks equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi-Omron Terminal Solutions, Corp.	Shinagawa-ku, Tokyo	8,500	Information & Telecommunication Systems	55.0	The Company purchases ATMs and other information equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	20,000	Information & Telecommunication Systems	100.0	The Company outsources development of information systems and software, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	19,162	Information & Telecommunication Systems	100.0	The Company outsources calculation, development of software, installation and maintenance of telecommunication equipment and computers. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2017)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	(Thousands of US dollars) 14,000	Information & Telecommunication Systems	[100.0] 100.0	The Company supplies parts for computer peripherals. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Consulting Corporation	Texas, U.S.A.	(Thousands of US dollars) 816,951	Information & Telecommunication Systems	[100.0] 100.0	The Company outsources consulting services. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Data Systems Corporation	California, U.S.A.	(Thousands of US dollars) 931,651	Information & Telecommunication Systems	[100.0] 100.0	Sales company for the Company's storage, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Financial Equipment System (Shen Zhen) Co., Ltd.	Shenzhen, China	(Thousands of US dollars) 3,480	Information & Telecommunication Systems	[100.0] 100.0	Manufacturing and sales company in China for the Hitachi Group's information products such as ATMs.
Hitachi Payment Services Private Limited	Chennai, India	(Thousands of Indian rupee) 47,500	Information & Telecommunication Systems	[97.5] 100.0	Offering the Hitachi Group's payment services for finantial institutions in India. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	5,105	Social Infrastructure & Industrial Systems	100.0	Design, manufacturing, sales, installation and maintenance of the elevators and escalators the Company developed. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2017)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	5,000	Social Infrastructure & Industrial Systems	80.0	The Company delivers nuclear power generation equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	10,000	Social Infrastructure & Industrial Systems	100.0	The Company purchases industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki	3,000	Social Infrastructure & Industrial Systems	100.0	The Company outsources development of information control systems, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	3,000	Social Infrastructure & Industrial Systems	100.0	Construction of the Company's power and industrial plants, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	3,000	Social Infrastructure & Industrial Systems	100.0	Construction of the Company's industrial plants, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2017)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	4,000	Social Infrastructure & Industrial Systems	100.0	The Company purchases power plant parts, and outsources maintenance of power generation equipment and control equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	(Thousands of US dollars) 64,880	Social Infrastructure & Industrial Systems	[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 position of directors or officers.
**Hitachi Rail Europe Ltd.	London, U.K.	(Thousands of Sterling pounds) 878,181	Social Infrastructure & Industrial Systems	100.0	Manufacturing, sales, engineering and maintenance of the Company's rail systems products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Horizon Nuclear Power Limited	Gloucester, U.K.	(Thousands of Sterling pounds) 876,000	Social Infrastructure & Industrial Systems	[100.0] 100.0	Nuclear power production company in the U.K. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi High-Technologies Corporation	Minato-ku, Tokyo	7,938	Electronic Systems & Equipment	51.8	The Company sells and purchases information equipment and power-related parts through this company. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2017)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
*Hitachi Kokusai Electric Inc.	Minato-ku, Tokyo	10,058	Electronic Systems & Equipment	[0.0] 51.8	The Company purchases electronic equipment and parts, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
** *Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo	81,576	Construction Machinery	[0.6] 51.5	The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Chemical Company, Ltd.	Chiyoda-ku, Tokyo	15,454	High Functional Materials & Components	[0.1] 51.4	The Company purchases electronic materials and parts, energy storage devices and systems, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Metals, Ltd.	Minato-ku, Tokyo	26,283	High Functional Materials & Components	[0.5] 53.5	The Company purchases specialty steel products, magnetic materials and applications, functional components and equipment, and wires, cables, and related products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Clarion Co., Ltd.	Chuo-ku, Saitama, Saitama	20,346	Automotive Systems	64.0	The Company supplies parts for car navigation systems, etc.
Hitachi Automotive Systems, Ltd.	Hitachinaka, Ibaraki	15,000	Automotive Systems	100.0	The Company purchases parts for railway vehicles, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2017)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Automotive Systems Americas, Inc.	Kentucky, U.S.A.	(Thousands of US dollars) 86,278	Automotive Systems	[100.0] 100.0	Manufacturing and sales company in North America for the Hitachi Group's automotive systems products.
Hitachi Appliances, Inc.	Minato-ku, Tokyo	20,000	Smart Life & Ecofriendly Systems	100.0	Manufacturing and sales of the Hitachi Group's home appliances, and sales, system installation and maintenance of the Group's refrigerating and air-conditioning products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Consumer Marketing, Inc.	Minato-ku, Tokyo	3,000	Smart Life & Ecofriendly Systems	100.0	Sales company for the Hitachi Group's home appliances in Japan.
Hitachi Consumer Products (Thailand), Ltd.	Prachinburi, Thailand	(Thousands of Thai Baht) 2,472,000	Smart Life & Ecofriendly Systems	[80.1] 80.1	Manufacturing and sales company for the Hitachi Group's refrigerators and washing machines, etc. in Thailand.
Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo	9,262	Others	51.0	Development, manufacturing and sales company for the Hitachi Group's optical disk drives. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Life, Ltd.	Hitachi, Ibaraki	1,000	Others	[21.8] 100.0	The Company outsources management of welfare facilities, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2017)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Urban Investment, Ltd.	Chiyoda-ku, Tokyo	2,000	Others	100.0	The Company outsources management of welfare facilities, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi America, Ltd.	New York, U.S.A.	(Thousands of US dollars) 2,288,946	Others	100.0	The Hitachi Group's regional supervising company in Americas, and sells the Hitachi Group's plant, industrial machinery, and healthcare- and digital media-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Asia Ltd.	Singapore	(Thousands of Singapore dollars) 186,231	Others	100.0	The Hitachi Group's regional supervising company for Asia, and 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 position of directors or officers.
Hitachi (China), Ltd.	Beijing, China	(Thousands of US dollars) 226,380	Others	100.0	The Hitachi Group's regional supervising company for China, and sells the Hitachi Group's plant, industrial machinery and digital media-, train-, healthcare- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2017)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Europe Ltd.	Maidenhead, U.K.	(Thousands of Sterling pounds) 263,349	Others	100.0	The Hitachi Group's regional supervising company for Europe, and sells the Hitachi Group's plants, industrial machinery and digital media- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold 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, and sells the Hitachi Group's plants, industrial machinery and digital media-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Information & Telecommunication Systems Global Holding Corporation	California, U.S.A.	(Thousands of US dollars) 1,402,257	Others	100.0	Holding company for Hitachi Consulting Corporation and Hitachi Data Systems Corporation, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Others - 825 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 are specified subsidiaries.

3. Companies with one asterisk (*) in the "Company name" column submit Securities Registration Statement or Annual Securities Report.

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

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

6. Companies with negative net worth are shown below, along with the amount of liabilities in excess of assets.

Hitachi Power Europe GmbH ¥89,410 million
Hitachi Vehicle Energy, Ltd. ¥41,606 million

(2) Equity-method associates and joint ventures

(As of March 31, 2017)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
MITSUBISHI HITACHI POWER SYSTEMS, LTD.	Nishi-ku, Yokohama, Kanagawa	100,000	Social Infrastructure & Industrial Systems	35.0	The Company supplies equipments for thermal power generation system. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd	Hampshire, U.K.	(Thousands of US dollars) 935,107	Smart Life & Ecofriendly Systems	[40.0] 40.0	Holding company for air-conditioning systems business companies from which the Hitachi Group purchases air-conditioning systems devises.
*Hitachi Capital Corporation	Minato-ku, Tokyo	9,983	General leasing, installment sales, and other financial services	33.4	Leases manufacturing equipment, industrial equipment, office equipment, etc. to the Company, and engages in leasing and credit sales of the Company's business equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Transport System, Ltd.	Koto-ku, Tokyo	16,802	Logistics services	30.0	The Company outsources transportation and storage of products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Others - 384 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 one asterisk (*) in the "Company name" column submit Securities Registration Statement or Annual Securities Report.

3. The names of segment in which MITSUBISHI HITACHI POWER SYSTEMS, LTD. and Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd are classified are shown in the "Principal business" column.

4. Companies with negative net worth are shown below, along with the amount of liabilities in excess of assets.

Agility Trains West (Holdings) Limited	¥74,366 million
Agility Trains East (Holdings) Limited	¥73,954 million
GE-Hitachi Nuclear Energy Holdings LLC	¥20,140 million

5. Employees

(1) Consolidated basis

(As of March 31, 2017)

Name of segment	Number of employees
Information & Telecommunication Systems	74,919 [16,311]
Social Infrastructure & Industrial Systems	74,616 [10,367]
Electronic Systems & Equipment	19,409 [2,939]
Construction Machinery	23,848 [-]
High Functional Materials & Components	48,528 [-]
Automotive Systems	33,979 [-]
Smart Life & Ecofriendly Systems	11,705 [-]
Others	14,267 [3,398]
Corporate (Head Office and others)	2,616 [2,616]
Total	303,887 [35,631]

(Note) 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 Company

(As of March 31, 2017)

Number of employees	Average age	Average length of service	Average annual salary
35,631	41.4	18.6 years	¥8,498,582

(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 & Information Union.

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

II. Business Overview

1. Summary of Business Results

See “7. Analyses of Consolidated Financial Condition, Operating Results and Cash Flows.”

2. Production, Orders 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 in same kinds of products and certain products are mass-produced.

Regarding sales, see “7. Analyses of Consolidated Financial Condition, Operating Results and Cash Flows.”

3. Management Policy, Economic Environment and Challenges Facing Hitachi Group

(1) Management Policy

Amid intensifying competition in global markets, the Hitachi Group has been expanding its business through development of Hitachi and its related companies (subsidiaries and affiliated companies). Hitachi aims to achieve further development by delivering competitive products and services, thus creating higher value for customers. By taking full advantage of the diverse resources of the Hitachi Group, while at the same time reviewing and restructuring businesses, Hitachi aims to bolster its competitiveness and achieve growth in global markets. This process will be consistent with Hitachi’s basic management policy, which is to increase shareholder value by meeting the expectations of customers, shareholders, employees and other stakeholders.

By fully capitalizing on the business base it has built over the years, the Hitachi Group aims to achieve sustainable growth through global expansion of the Social Innovation Business to provide solutions driven by collaborative creation with customers in a range of areas, including Power / Energy, Industry / Distribution / Water, Urban Development, and Finance / Government & Public / Healthcare. At the same time, the Hitachi Group will work to establish an even more solid management base by pushing ahead with ongoing business portfolio reforms and cost structure reforms. Under the "2018 Mid -term Management Plan," the Hitachi Group utilizes the following indicatior targets to measure performanc in terms of meeting its starategic and operational goals: adjusted operating income (margin) (Note 1); EBIT (margin) (Note 2); net income attributable to Hitachi, Ltd. stockholders; front revenue ratio (Note 3); overseas revenue ratio; operating cash flow margin (Note 4); and return on assets (ROA) (Note 5).

(Notes)
1. Adjusted operating income is presented as revenues less cost of sales as well as selling, general and administrative expenses. Adjusted operating income margin is the ratio calculated by dividing adjusted operating income by revenues.
2. EBIT represents earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges. EBIT margin is the ratio calculated by dividing EBIT by revenues.
3. Front revenue ratio is the ratio of revenues from front-line busiensses to total revenues.
4. Operating cash flow margin is the ratio calculated by dividing operating cash flows by revenues.
5. Return on assets (ROA) is the ratio of net income to average total assets of the beginning of and the end of fiscal year.

(2) Economic Environment

We conduct business operations such as manufacturing, marketing, and research and development activities throughout the world. Therefore, the economic conditions in global markets where the Hitachi Group conducts business, in particular Japan, Asia, North America and Europe, affect its results of operations.

During the year ended March 31, 2017, in the U.S., consumer spending and housing investment remained firm due to improving employment, and capital expenditure recovered. While the foreign exchange market remained unsettled in Europe, partly due to the result of Brexit referendum, the European economy grew at a moderate pace with the help of firm consumer spending. The Chinese economy continued steady growth due to the supports by infrastructure investments made by the government. In emerging markets, economies continued to experience difficult circumstances as their growth stagnated amid turmoil in the foreign exchange market, despite a slight recovery in crude oil and resources prices. The Japanese economy remained sluggish until early November due to the yen's appreciation. However, subsequent correction of yen appreciation and a rally in consumer spending put the Japanese economy on track to recovery.

(3) Business and Financial Challenges Facing Hitachi Group

While the forecast of the world economy still remains uncertain, the Hitachi Group will promote the following measures under the "2018 Mid-term Management Plan" in order to realize further growth as a partner that resolves issues facing customers in the era of the Internet of Things (IoT) where all "things" are connected to the Internet.

- The Hitachi Group's businesses have been divided into four fields: (i) "Power and Energy," (ii) "Industry, Distribution and Water," including industrial products and solutions business, (iii) "Urban," including smart life & ecofriendly systems and automotive systems in addition to railway and building systems and (iv) "Finance, Public and Healthcare," focused on IT. Through integrated management in each business field, we will carry out growth strategies with a broader perspective and generate synergies within each field.
- We will utilize the Lumada IoT platform to develop new solutions, while also providing highly targeted services to help solve issues faced by customers and in today's increasingly complex society.
- We will accelerate business growth in the global market by establishing a "front" business structure that allows us to rapidly provide optimum products and services tailored to customer needs and business environments in each region and country.
- We will implement targeted investment in line with our growth strategy, improve capital efficiency and establish our position in artificial intelligence and other strategic fields over the medium and long term.
- We will continuously strive to optimize our business portfolio from the perspective of the growth potential, profitability and competitiveness of businesses, by carrying out reorganization, including partnerships with other companies, withdrawals and disposal by sale.
- In order to secure the necessary funds for the growth of the Hitachi Group, we will extend cost restructure reforms, such as fixed cost reduction, to strengthen our cash-generating capabilities.
- By strengthening research and development to share issues with customers and create new solutions together, we will further reinforce the role of R&D in bolstering the Hitachi Group's profitability.
- To maximize the capabilities of diverse human resources, we will promote productivity and implement wide-ranging reforms to work practices by creating working environments that allow more flexible work choices and by improving operational efficiency.
- By providing our customers with high-quality and safe products and services, we will further gain the reliability in the Hitachi Group from society, and increase the value of the Hitachi brand.
- We will ensure compliance with laws and international social standards and dedication to corporate ethics based on a firm commitment to eradicating misconduct within the Hitachi Group, and continuously strive to contribute to the environment and the communities.

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

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

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

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

4. Risk Factors

We conduct business on a global scale across a broad range of business areas and utilize sophisticated, specialized technologies to carry out our operations. Therefore, we are exposed to risks attributable to the economic environment, risks inherent in individual industrial sectors and business lines and risks related to our operations. Investment in our securities also involves risks. The following risks are based on the assumption we consider reasonable as of the filing date of this report.

Risks Related to Operations

Economic Trends

Our business is influenced by the global economy and economic conditions in certain regions or countries. We are affected by downward economic trends in the U.S., Europe, China, emerging countries and Japan. Such economic conditions could cause decline in consumer spending or capital investment and subsequently reduced demand for our products and services, which could adversely affect our business, financial condition, and results of operations.

Currency Exchange Rates Fluctuations

Since we conduct business in many foreign countries, our business activities are exposed to risks from fluctuations in foreign currency exchange rates. We sell products, provide services and purchase 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 us and thus affect our results of operations, which are reported in Japanese yen. Our price competitiveness, and thus our results of operations, may be harmed if we seek to increase prices in local currencies to compensate for lower revenues or to increase prices in yen to absorb the higher cost. In addition, since we hold assets and liabilities denominated in foreign currencies, fluctuations in foreign currency exchange rates may adversely affect our financial condition presented in Japanese yen through foreign currency translation. While we take measures to reduce the risks from fluctuations in foreign currency exchange rates, such measures may not be effective.

Access to Liquidity and Long-term Financing

Our 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. We need liquid funds to pay our operating expenses, the principal of and interest on our debt and dividends on our capital stock. We also need long-term financing to fund, among other things, capital expenditures and research and development expenses. We currently believe our cash flows from operations, borrowings from banks and other institutional lenders and funding from the capital markets can provide sufficient funding for our operations and other liquidity needs. However, a global economic downturn could adversely affect our cash flows from operations, business results and financial condition and may adversely affect our credit ratings. If our ratings are downgraded, our ability to obtain additional financing on terms we consider favorable may be negatively affected.

Our reliance on banks and institutional lenders exposes us to risks related to rising interest rates, and we may need to increase our reliance on external sources of funding. An increased reliance on debt instruments may adversely affect our credit ratings, which might affect our ability to successfully obtain additional financing on terms we consider favorable. The inability to successfully obtain such financing may increase our financing costs, and therefore could adversely affect our financial condition and results of operations.

Furthermore, failure of one or more of our 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 us could have an adverse effect on our access to funding.

Marketable Securities Risks

We invest in marketable securities to maintain or promote our business or other relationships with other companies. These marketable securities are exposed to the risk of declining stock market prices. Such declines may require that we write down equity securities that we hold. Further, contractual and other obligations may require us to maintain our holdings of these securities despite declining share prices and this may lead to material losses.

Material and Component Procurement

Our manufacturing operations rely on external suppliers for supplies of materials, parts, components and services of adequate quality and quantity, delivered in a timely manner at a reasonable price. External suppliers may not have sufficient capacity to meet all of our 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 we purchase 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 our production costs and may adversely affect our results of operations. 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 our suppliers and damage supply chains, it may adversely affect our production. Although we generally maintain multiple sources of supply and work closely with our suppliers to avoid supply-related problems, such problems, including shortages and delays, may continue to occur, which could harm our business, financial condition and results of operations.

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

We enter into a substantial number of long-term contracts, particularly in connection with the construction of infrastructure systems. When the outcome of a construction can be estimated reliably, we recognize revenue and expenses by reference to the stage of completion of the contract activity. In this case, we recognize revenue in an amount equal to estimated total revenue from the arrangement multiplied by the percentage that costs incurred to date bear to estimated total costs at completion based upon the most recently available information. When the outcome of a construction cannot be estimated reliably, we recognize revenue only to the extent of contract costs incurred that it is probable will be recoverable, and recognize contract costs as expenses in the period in which such costs are incurred. The revenue recognition for such long-term contracts requires us to make significant assumptions about estimates of total contract costs, remaining costs to completion, total contract revenues, contract risks and other factors. 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, there can be no assurance that these estimates will, ultimately, prove to be correct. We regularly review these estimates and adjust them as we deem necessary. 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 condition and results of operations.

Credit Risks Arising from Business Transactions

We make transactions with diverse customers and suppliers in Japan and other countries. We sell our products to certain customers on credit and pay in advance for products or services provided by certain suppliers. While we take measures to manage counterparty credit risk, such as regularly monitoring credit conditions of such customers or suppliers and setting a limit on transaction amount according to their credit conditions, credit deterioration or failure of one or more of them could adversely affect our financial condition, results of operations and cash flows.

Supply and Demand Balance

Oversupply in the markets in which we compete may lead to declines in sales prices, revenues and profitability. In addition, adjustment to demand may force us 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 construction machinery, automotive equipment and semiconductor processing equipment industries and a resultant deterioration in market conditions could negatively affect our businesses, financial condition and results of operations.

Rapid Technological Innovation

New technologies are rapidly emerging in the segments in which we conduct business, with the pace of technological innovation. The development of new and advanced technologies, the continuous, timely and cost-effective incorporation of such technologies into products and services and the effective marketing of such products and services are indispensable to remaining competitive. While introducing such products and services requires significant resource commitment to research and development, there can be no assurance that our research and development will be successful. Failure in our endeavors to develop and incorporate such advanced technologies into products and services in a timely manner, or to achieve market acceptance for such products and services, may negatively affect our business, financial condition and results of operations.

Intense Competition

We are subject to intense competition in many of the markets in which we operate, and this may adversely affect our results of operations. The industrial sectors and business lines in which we are engaged are experiencing increasingly intense competition. We compete with diverse competitors ranging from huge global corporations to specialized companies. Competitors are increasingly manufacturing products, including sophisticated electronic products, in low-cost jurisdictions. Low-cost manufacturing and the globalization of world markets have accelerated the commoditization of certain products, which has resulted in increasingly intense price competition for many of our products. To succeed in this competitive environment, we believe that our products and services must be price competitive. The commoditization of such products affects our ability to set prices for our products. If we are unable to charge comparable prices to those of our competitors, our competitiveness and overall profitability may be harmed. On the other hand, charging comparable prices to those of our competitors may require us to sell products at a loss. Our products must also be competitive in terms of engineering sophistication, quality and brand value. We must introduce our products and services to the markets in a timely manner. There can be no assurance that the products or services that we offer will be competitive. The failure of such products or services to be competitive may negatively affect our business, financial condition and results of operations.

Dependence on Specially Skilled Personnel

We believe recruiting and retaining additional people who are highly skilled in connection with our operations is indispensable to remaining competitive. However, the number of skilled personnel is limited and the competition for attracting and maintaining such personnel is intense. We cannot ensure that we will be able to successfully attract new or maintain our current skilled personnel.

Our Strategy to Strengthen Our Social Innovation Business

Our business strategy seeks to build our business portfolio and achieve a stable and profitable business structure mainly by strengthening our Social Innovation Business, which supplies advanced social infrastructure supported by information and communication technology. We plan to devote significant resources including capital expenditures and R&Ds and are making investments in mergers and acquisitions and in new projects to strengthen our Social Innovation Business. In addition, we attempt to design suitable organizational structure for promoting our Social Innovation Business more effectively in response to market changes. To implement this strategy, we have incurred and may continue to incur considerable expenses. Our efforts to implement this strategy may be unsuccessful or less successful than we currently anticipate. Even if these efforts are successful, there is no assurance that we will be able to sustain or increase profitability.

Acquisitions, Joint Ventures and Strategic Alliances

In every operating sector, we depend 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 scaling up and to expand into new regions through acquiring local bases or distribution channels. Such transactions are inherently risky because of the difficulties in integrating operations, technologies, products and personnel and achieving return of the investment. Integration issues are complex, time-consuming and expensive and, without proper planning and implementation, could adversely affect our business. Decisions made by or the performance of alliance partners that we cannot control or adverse business trends may also negatively affect the success of our alliances. We may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to integration or restructuring of acquired businesses. If it is expected that the amount invested is irrecoverable due to a decline in the profitability of an investee, we may incur siginificant losses, including impairment loss for goodwill. There can be no assurance that these transactions will be beneficial to our business or financial condition. Even assuming these transactions are beneficial, there can be no assurance that we will be able to successfully integrate acquired businesses or achieve all or any of the initial objectives of these transactions.

Restructuring of Our Business

Our business strategy seeks to build our business portfolio and achieve a stable and profitable business structure in part by:

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

Our 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 we may seek to sell. In addition, we have listed subsidiaries and from time to time the interests of these listed subsidiaries' shareholders may conflict with our interests. Such conflicts of interest may result in difficulties in timely implementing group-wide policies, including mergers, company splits and other similar transactions to which the listed subsidiaries are parties. Restructuring efforts may also bring about unintended consequences, such as negative customer or employee perceptions, and have caused and may continue to cause us to incur significant expenses and other costs, including additional impairment losses on our 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 we presently anticipate and may adversely affect our business, financial condition and results of operations.

Worsening of Business Performance of Equity-Method Associates and Joint Ventures

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

Our Overseas Growth Strategies

We seek to expand our business, including our Social Innovation Business, in overseas markets as part of our business strategy. Through such overseas expansion, we aim to increase our revenues, reduce our costs and improve profitability. In many of these markets, we face barriers in the form of long-standing relationships between our potential customers and their local suppliers. In addition, various factors in foreign countries where we operate may adversely affect our 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, environmental and recycling requirements;
- differences in commercial and business customs such as contract terms and conditions;
- labor relations;
- public sentiment against Japan and local residents' sentiment against us; and
- other political and social factors as well as economic trends and currency exchange rate fluctuations.

Because of these factors, there can be no assurance that we will be able to achieve the aims of our overseas growth strategy. This may adversely affect our business growth prospects and results of operations.

Overhaul of Cost Structure

We implement "the Hitachi Smart Transformation Project," which promotes cost reductions by thoroughly overhauling our cost structure across the Group including procurement, production and administrative operations. We seek to stabilize earnings and generate cash flows by improving our management efficiency through the Project. The Project may be less successful than we currently anticipate. Even if the Project is successful, there is no assurance that we will be able to sustain or increase profitability.

Intellectual Property

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

We design many of our products to include software or other intellectual property licenses from third parties. Competitors may not make their protected technology available to us, or may make it available to us only on unfavorable terms and conditions. There can be no assurance that we 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 us the commercial advantages that we desire.

From time to time, we are sued or receive notices regarding patent and other intellectual property claims. Whether or not these claims have merit, they may require significant resources to defend against and may divert management attention from our business and operations and result in harm to our reputation. In addition, a successful infringement claim and our inability to obtain the license for the infringed technology or substitute similar non-infringing technology may adversely affect our business.

Litigation and Regulatory Investigations

We face risks of being involved in litigation and alternative dispute resolution and regulatory investigation and actions in connection with our operations. Lawsuits or any other legal procedures for resolving disputes and regulatory actions may seek payment of large, indeterminate amounts or otherwise limit our operations, and their existence and magnitude may remain unknown for substantial periods of time.

In the past several years, we have been the subject of several investigations of alleged antitrust violations in relation to certain product markets in Japan, Europe and North America, etc. and received claims for damages from our customers, etc., which may have adverse effects on our financial condition or profitability. See "Consolidated Financial Statements—Notes to Consolidated Financial Statements—(30) Commitments and Contingencies." These investigations or disputes may result in significant penalties or compensation for damages, etc. Such substantial legal liability or regulatory action could have an adverse effect on our business, results of operations, financial condition, cash flows, reputation and credibility.

In addition, our business activities are subject to various governmental regulations in countries where we operate, which include investment approvals, export regulations, tariffs, antitrust, anti-bribery, intellectual property, consumer and business taxation, foreign trade and exchange controls, and environmental and recycling requirements. These regulations limit, and other new or amended regulations may further limit, our business activities or increase operating costs. In addition, the enforcement of such regulations, including the imposition of fines or surcharges for violation of such regulations, may adversely affect our results of operations, financial condition, cash flows, reputation and credibility.

Product Quality and Liability

We increasingly provide products and services utilizing sophisticated technologies, including but not limited to components of power stations. Reliance on external suppliers reduces our control over quality assurance. The occurrence of defects in our products and services could negatively affect our reputation for quality of products and services, expose us to liability for damages caused by such defects and negatively affect our ability to sell certain products. A significant product defect could adversely affect our results of operations, financial condition and future business prospects.

Significant Disasters and Similar Events

We have many facilities, including our R&D facilities, manufacturing facilities and our 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 affect on an array of our corporate activities, from production to sales. We also have overseas facilities in Asia, the U.S. and Europe, which are also subject to similar natural disasters. Natural disasters in each of the areas may cause damage on certain of our plants and offices and the operations of our suppliers and customers. Such significant natural disasters may directly damage or destroy our facilities, which could disrupt our 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 our 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, etc., may also disrupt our operations, render our employees unable to work, reduce consumer demand for our products or disrupt our supply and distribution channels. In addition, we are not insured against all potential losses, and even losses that insurance covers may not be fully covered and may be subject to challenges of or delays in payment. Direct and indirect disruption of our operations as a result of natural disasters or other events could have a negative impact on our operating activities, results of operations and financial condition.

Dependence on Information Systems

With the increased importance of information systems to our operating activities, disruptions in such systems due to computer viruses and other factors could have a negative impact on our operating activities, results of operations and financial condition.

Management of Confidential Information

We maintain and manage personal information obtained from our customers, as well as confidential information relating to our technology, research and development, or R&D, production, marketing and business operations and those of our customers and clients, in various forms. Although we have implemented controls to protect the confidentiality of such information, there can be no assurance that such controls will be effective. Unauthorized disclosures of such information could subject us to complaints or lawsuits for damages or could otherwise have a negative impact on our business, financial condition, results of operations, reputation and credibility.

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

Risks Related to Our 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 our 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 our accounting books and records, or exercise appraisal rights through the depositary.

We are incorporated in Japan with limited liability. A significant portion of our 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 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 our articles of incorporation, one unit of our shares is composed of 1,000 shares, equivalent to 100 ADSs. Each unit of our shares has one vote. A holder who owns shares or ADSs in other than multiples of 1,000 or 100, respectively, will own less than a whole unit (i.e., for the portion constituting fewer than 1,000 shares, or fewer than 100 ADSs). Our 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 our 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 1,000 shares. However, holders of our 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 Your Shares by Issuances of Additional Shares

We may issue additional shares in the future within the unissued portion of our authorized share capital and sell shares held as treasury stock, generally without shareholder vote unless the subscription or sale price is significantly lower than the market price. Issuances and sales of our shares in the future may be at prices below the prevailing market prices and may be dilutive.

Foreign Exchange Fluctuations

Market prices for our 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.

5. Material Agreements, etc.

Cross License Agreement

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 the patent under contracts
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, 2002
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, 2023

6. Research and Development

The Hitachi Group (the Company and consolidated subsidiaries) is conducting business in a broad range of fields, from information and telecommunications systems to financial services. The Hitachi Group places priority on allocating R&D resources on the Social Innovation Business, a core business of the Hitachi Group, and makes efforts for continuing and developing business.

In order to strengthen the global competitiveness of the business, the Hitachi Group works in R&D activities to identify, share and resolve the customers' problems, and is focusing on developing competitive products and services to lead globalization of operations. In addition, the Hitachi Group conducts advanced research to cultivate future core businesses.

The Hitachi Group also works to improve the efficiency of R&D through close coordination between the R&D divisions of the Company and group companies. Furthermore, the Hitachi Group is actively expanding collaborations with universities and other research institutions as well as with outside firms.

The Company has established an R&D framework to accelerate global growth through the Social Innovation Business. In order to support the global growth, it aims to promote R&D that can meet local needs quickly by expanding R&D facilities and personnel in North America, Europe, China, Asia, India and South America and accelerating locally-led R&D. The Company reorganized its R&D facilities in Japan and overseas to establish an R&D structure comprising the "Global Center for Social Innovation," which discovers customers' issues and creates new solutions in collaboration with customers, the "Center for Technology Innovation," which creates innovative products and services and supports development of new solutions by applying and integrating technology platforms in focused areas, and the "Center for Exploratory Research," which cultivates new areas through exploratory basic research based on our creative vision in the form of open innovation. With this R&D structure, the Company aims to further promote R&D that will contribute to solving customers' issues.

The Hitachi Group's R&D expenditures for the fiscal year ended March 31, 2017 were ¥323.9 billion, 3.5% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Amount
Information & Telecommunication Systems	50.1
Social Infrastructure & Industrial Systems	48.7
Electronic Systems & Equipment	53.6
Construction Machinery	19.0
High Functional Materials & Components	46.1
Automotive Systems	70.6
Smart Life & Ecofriendly Systems	6.9
Others	5.4
Financial Services	0.0
Corporate Items	23.0
Total	323.9

Notable achievements of R&D activities in the fiscal year ended March 31, 2017 are as follows.

- Development of basic artificial intelligence technology that enables logical dialogue in Japanese (Information & Telecommunication Systems segment)

  In the field of basic artificial intelligence (AI) technology, we developed technology that enables application, in Japanese and other languages, of the function that analyzes huge volumes of articles and so forth and presents both affirmative and negative opinions on specific issues by applying deep learning (a neural network machine learning model based on the mechanism of nerve cells). This had previously been possible only in English.

- Development of basic technology for identification of metabolite differences in urine between healthy, breast cancer and colorectal cancer groups (Others segment)

  We succeeded in developing a technology that distinguishes breast cancer and colorectal cancer patients from healthy persons based on differences in the amount of specific metabolites from a comprehensive analysis of urine metabolites such as sugar and lipids. (Research result supported from the “Acceleration Transformative Research for Medical innovation (ACT-M)” of the Japan Agency for Medical Research and Development)

- Development of humanoid robot and robotics IT platform for customer services (Social Infrastructure & Industrial Systems segment)

  We have developed a humanoid robot, "EMIEW3," enhanced with functions to resume a standing position if fallen over in order to efficiently provide customer services and guidance.We also developed robotics platform that can conduct remote voice, image and language processing and monitor and control multiple robots placed in various locations, and identify people requiring assistance and share information between multiple robots to ensure smooth service continuation.

- Development of finger vein authentication using smartphone camera (Information & Telecommunication Systems segment)

  We developed technology for realizing finger vein authentication with a smartphone, without using a dedicated infra-red sensor, by developing image processing technology to emphasize the specific color of the finger veins using the color information of the fingers captured by a standard smartphone camera and by developing technology to enhance the authentication accuracy through detecting the positioning and inclination of the fingers and compensating for the inclination and size of each finger.

- Development of lensless-camera technology for easily adjusting focus of video images after image capture (Information & Telecommunication Systems segment)

  We developed a lenseless-camera technology that enables focus to be adjusted after video image capture using thin film imprinted with concentric-circle pattern, instead of a lense, and rapid Fourier transform which enables cameras to be made cheaper, thinner, and lighter by eliminating the need for a lens. This will enable a wider range of applications on mobile devices, cars, robots, and so forth.

- Development of image-analysis technology with AI for real-time people-detection and tracking (Information & Telecommunication Systems segment)

  We developed an image-analysis technology that has realized rapid detection and an improvement in tracking performance of a particular person by applying AI to surveillance camera image analysis to identify more than 100 related to 12 types of appearance characteristics such as sex, age, carried items and clothing, and 10 movements as well as analyzing the entire image of the body in real time.

7. Analyses of Consolidated Financial Condition, Operating Results and Cash Flows

(1) Summary of Economic Environment and Business Strategy, etc.

1) Economic Environment

See “3. Management Policy, Economic Environment and Challenges Facing Hitachi Group - (2) Economic Environment.”

2) Business Strategy

See “3. Management Policy, Economic Environment and Challenges Facing Hitachi Group - (3) Business and Financial Challenges Facing Hitachi Group.”

3) Business Reorganization

We continuously reorganize our business in order to further focus our business resources on the Social Innovation Business. The important business reorganizations conducted in the year ended March 31, 2017 are as follows:

The Company entered into an agreement to transfer a part of shares of Hitachi Transport System, Ltd. stocks owned by the Company to SG Holdings Co., Ltd. in March 2016, and transferred them in May 2016. Hitachi Transport System, Ltd. is accounted as the Company’s equity-method associate following the share transfer.

The Company entered into an agreement to transfer a part of shares of Hitachi Capital Corporation stocks owned by the Company to Mitsubishi UFJ Financial Group, Inc. and Mitsubishi UFJ Lease & Finance Co., Ltd. in May 2016, and transferred in October 2016. Hitachi Capital Corporation is accounted as the Company’s equity-method associate following the share transfer.

In January 2017, the Company concluded an agreement to subscribe under certain conditions to a tender offer for the common shares, etc. of Hitachi Koki Co., Ltd. to be conducted by HK Holdings Co., Ltd., all issued shares of which is held entirely by a related investment fund that is indirectly owned and operated by Kohlberg Kravis Roberts & Co. L.P. The Company transferred all of its shares in Hitachi Koki Co., Ltd. by subscribing to the tender offer in March 2017. As a result of the transfer of shares, Hitachi Koki Co., Ltd. ceased to be a subsidiary of the Company.

In April 2017, the Company concluded an agreement with Accudyne Industries (hereinafter referred to as “Accudyne”) regarding the Company’s acquisition of the Sullair business, which is operated by Accudyne’s subsidiaries with certain related assets, and which manufactures and sells air compressors under the “Sullair” brand. The business acquisition date has yet to be determined.

In April 2017, the Company concluded a basic agreement with HKE Holdings G.K. (hereinafter referred to as “HKE”), all issued shares of which is held entirely by a related investment fund that is indirectly owned and operated by Kohlberg Kravis Roberts & Co. L.P. and with HVJ Holdings Inc. (hereinafter referred to as “HVJ”), which is invested by funds that are managed, operated, and provided with information and the like by Japan Industrial Partners, Inc. regarding (i) a tender offer (hereinafter referred to as “the tender offer”) scheduled to be conducted by HKE for the common shares of Hitachi Kokusai Electric Inc. (hereinafter referred to as “Hitachi Kokusai”) (hereinafter referred to as “the share of Hitachi Kokusai”), and a share consolidation of the share of Hitachi Kokusai, and the acquisition of treasury shares by Hitachi Kokusai, through which Hitachi Kokusai becomes a wholly-owned subsidiary of HKE, (ii) an absorption-type company split of the thin-film process solutions business of Hitachi Kokusai (hereinafter referred to as “the company split”), whereby HKE will be the company succeeding in absorption-type split, to be conducted by HKE and Hitachi Kokusai after Hitachi Kokusai becomes a wholly-owned subsidiary of HKE, and (iii) the transfer by HKE of 20% of the share of Hitachi Kokusai to the Company and 20% of the share of Hitachi Kokusai to HVJ that is scheduled to take place after the company split, and other transactions that are incidental or related to those transactions. The above transactions (i) through (iii) are to be completed until March 31, 2018.

(2) Changes in the year ended March 31, 2017

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

(3) Results of Operations

	Year ended March 31, 2016 (billions of yen)	Year ended March 31, 2017 (billions of yen)	Year over year change
Revenues	10,034.3	9,162.2	91%
EBIT (Note)	531.0	475.1	89%
Income from continuing operations, before income taxes	517.0	469.0	91%
Net income attributable to Hitachi, Ltd. stockholders	172.1	231.2	134%

(Note) EBIT represents earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges.

1) Analysis of Statement of Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2) Operations by Segment

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

(Information & Telecommunication Systems)

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

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

(Social Infrastructure & Industrial Systems)

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

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

(Electronic Systems & Equipment)

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

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

(Construction Machinery)

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

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

(High Functional Materials & Components)

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

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

(Automotive Systems)

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

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

(Smart Life & Ecofriendly Systems)

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

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

(Others)

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

(Financial Services)

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

3) Revenues by Geographic Area

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

Japan

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

Overseas

(Asia)

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

(North America)

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

(Europe)

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

(Other Areas)

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

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

(4) Summary of Financial Condition, etc.

1) Liquidity and Capital Resources

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

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

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

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

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

2) Cash Flows

(Cash Flows from Operating Activities)

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

(Cash Flows from Investing Activities)

Net amount of investments related to property, plant and equipment* was ¥462.6 billion, a decrease of ¥189.7 billion as compared with the year ended March 31, 2016. Proceeds from sales of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) increased by ¥111.1 billion compared with the year ended March 31, 2016, reflecting partial sales of the shares of Hitachi Transport System, Ltd. and Hitachi Capital Corporation, and the sale of all shares of Hitachi Koki Co., Ltd. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) was ¥177.3 billion, a decrease of ¥19.3 billion compared with the year ended March 31, 2016, in which the acquisition of the businesses of AnsaldoBreda S.p.A (excluding a part of its operations), the acquisition of Ansaldo STS S.p.A., and the acquisition of Pentaho Corporation were conducted. As a result of the foregoing, net cash used in investing activities was ¥337.9 billion in the year ended March 31, 2017, a decrease of ¥392.8 billion compared with the year ended March 31, 2016.

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

(Cash Flows from Financing Activities)

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

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

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

3) Assets, Liabilities and Equity

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

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

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

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

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

(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 that certain accounting estimates to be critical, and that 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 condition, changes in financial condition or results of operations. 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. Details of important accounting policies and estimates are described in "Consolidated Financial Statements ー Notes to Consolidated Financial Statements ー(3) Summary of Significant Accounting Policies."

(6) Forward-Looking Statements

Certain statements found in "3. Management Policy, Economic Environment and Challenges Facing Hitachi Group," "4. Risks Factors" and "7. Analyses of Consolidated Financial Condition, Operating Results and Cash Flows" and other descriptions in this report may constitute "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such "forward-looking statements" reflect management's current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as "anticipate," "believe," "expect," "estimate," "forecast," "intend," "plan," "project" and similar expressions which indicate future events and trends may identify "forward-looking statements." Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the "forward-looking statements" and from historical trends. Certain "forward-looking statements" are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on "forward-looking statements," as such statements speak only as of the date of this report.

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

- economic conditions, including consumer spending and plant and equipment investment in Hitachi's major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi's assets and liabilities are denominated;
- uncertainty as to Hitachi's ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- credit conditions of Hitachi's customers and suppliers;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to Hitachi's ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi's ability to attract and retain skilled personnel;
- uncertainty as to Hitachi's ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- the potential for significant losses on Hitachi's investments in equity-method associates and joint ventures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to the success of cost structure overhaul;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the possibility of disruption of Hitachi's operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

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

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.

Capital investment (based on the amount recorded as tangible fixed assets and the investment property) in the fiscal year ended March 31, 2017 was ¥377.5 billion. A breakdown of capital investment by segment is as follows. Effective from April 1, 2016, the Company changed the name of the "Others (Logistics and other services)" segment to the "Others" segment.

Segment	Capital investment (Billions of yen)	Change from preceding fiscal year (%)	Main purpose of investment
Information & Telecommunication Systems	31.6	64	Data center equipment, streamline development and production of other products
Social Infrastructure & Industrial Systems	63.1	103	Facility for nuclear power generation system, streamline development and production of other products, antiseismic reinforcement
Electronic Systems & Equipment	23.4	117	Increase production of semiconductor processing equipment, streamline development and production of products
Construction Machinery	14.0	59	Streamline production of construction machinery
High Functional Materials & Components	99.9	116	Increase and streamline production of high grade metal products, magnetic materials, high -grade functional components and wires and cables, etc.
Automotive Systems	50.4	70	Increase production of automotive equipment, etc.
Smart Life & Ecofriendly Systems	5.7	34	Streamline development and production of products
Others	17.9	32	Transportation facilities, system development facilities
Financial Services	67.5	51	Assets for leasing business (computers and other information-related equipment, industrial machinery and machine tools, vehicles and medical equipment related to lease agreements)
Subtotal	373.9	72	-
Corporate Items & Eliminations	3.5	42	-
Total	377.5	71	-

(Notes) 1. The figures in the above table include the amount of the tangible fixed assets leased under finance lease transactions and the investment property, each of which is recorded as property, plant and equipment and other non-current assets, respectively.

2. These investments were mostly financed with 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, 2017 is as follows.

(1) Breakdown by Segment

(As of March 31, 2017)

Segment	Book value (Millions of yen)							Number of employees
	Land [Area in thousands of m²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other	Construction in progress	Total	
Information & Telecommunication Systems	28,648 [1,584]	71,520	22,798	49,593	20,616	1,510	194,685	74,919
Social Infrastructure & Industrial Systems	91,610 [12,489]	133,078	48,490	23,277	8,640	77,033	382,128	74,616
Electronic Systems & Equipment	29,663 [1,042]	54,002	15,844	13,285	2,904	3,085	118,783	19,409
Construction Machinery	55,849 [10,684]	104,700	62,300	8,466	57,126	3,702	292,143	23,848
High Functional Materials & Components	81,362 [17,011]	140,528	223,272	26,675	1,750	41,716	515,303	48,528
Automotive Systems	51,191 [5,909]	74,194	139,658	20,854	1,273	23,561	310,731	33,979
Smart Life & Ecofriendly Systems	8,487 [2,257]	14,286	14,576	8,924	133	1,224	47,630	11,705
Others	36,346 [2,246]	64,231	6,179	16,241	1,036	762	124,795	14,267
Subtotal	383,156 [53,222]	656,539	533,117	167,315	93,478	152,593	1,986,198	301,271
Corporate Items & Eliminations	(22,826) [969]	30,703	405	4,358	(450)	23	12,213	2,616
Total	360,330 [54,191]	687,242	533,522	171,673	93,028	152,616	1,998,411	303,887

(Notes)
1. The "Book value - Other" column includes the amount of finance lease assets, etc.
2. The figures in the above table include ¥64,992 million of operating lease assets for leasing business.
3. The figures in the above table include ¥22,752 million of finance lease assets leased externally.
4. Except for the figures in the above table, there are operating lease assets leased, mainly machinery, etc. The annual lease fee for such assets was ¥121,135 million.

(2) The Company

(As of March 31, 2017)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)							Number of employees
			Land [Area in thousands of m²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other	Construction in progress	Total	
Financial Institutions Business Unit, Government & Public Corporation Business Unit and Information & Communication Technology Business Division (Kawasaki, Kanagawa)	Information & Telecommunication Systems	System development facilities, manufacturing facilities for servers, mainframes, etc.	15,148 [551]	48,818	1,963	22,229	1,569	369	90,098	14,513
Research & Development Group (Kokubunji, Tokyo)	Others	R&D facilities	6,017 [776]	13,977	3,817	3,249	-	317	27,379	2,665
Railway Systems Business Unit (Kudamatsu, Yamaguchi)	Social Infrastructure & Industrial Systems	Manufacturing facilities for railway vehicles, etc.	846 [666]	14,134	5,100	1,334	9	410	21,834	2,140
Corporate Hospital Group (Hitachi, Ibaraki)	Corporate	Medical facilities	63 [53]	15,276	11	1,611	407	22	17,393	1,444
Nuclear Energy Business Unit, Power Business Unit, and Energy Solutions Business Unit (Hitachi, Ibaraki)	Social Infrastructure & Industrial Systems	Manufacturing facilities for power generating equipment, etc.	9,761 [3,332]	3,256	699	792	720	67	15,298	1,640
Healthcare Business Unit (Taito-ku, Tokyo)	Electronic Systems & Equipment	Manufacturing facilities for medical equipments	6,614 [93]	5,020	523	1,620	669	710	15,159	2,935
Head Office (Chiyoda-ku, Tokyo)	Corporate	Other facilities	5,230 [866]	6,781	379	2,358	-	-	14,750	1,025
Area Operations (Osaka, Osaka)	Corporate	Other facilities	8,288 [50]	5,875	13	387	3	-	14,568	1,314
IT Services Division (Chiyoda-ku, Tokyo)	Others	System development facilities	- [-]	1,609	0	10,492	-	367	12,469	416
Services & Platforms Business Unit (Hitachi, Ibaraki)	Social Infrastructure & Industrial Systems	Manufacturing facilities for industiral machinery and plants, switchboards and calculation control equipment, system development facilities	635 [206]	5,678	1,448	404	270	0	8,438	1,885

(3) Domestic subsidiaries

(As of March 31, 2017)

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	Other	Construction in progress	Total	
Hitachi Automotive Systems, Ltd. (Hitachinaka, Ibaraki)	Automotive Systems	Manufacturing facilities for automotive equipment	9,495 [2,538]	28,330	44,219	6,398	0	5,625	94,067	8,682
Hitachi Metals, Ltd., Yasugi Works (Yasugi, Shimane)	High Functional Materials & Components	Manufacturing facilities for high grade steel	8,542 [1,104]	7,852	24,037	2,280	-	5,998	48,709	1,516
Hitachi Construction Machinery Co., Ltd., Hitachinaka-Rinko Works (Hitachinaka, Ibaraki)	Construction Machinery	Manufacturing facilities for construction machinery	12,330 [495]	15,585	3,959	118	-	4	31,998	282
Hitachi Construction Machinery Co., Ltd., Tsuchiura Works (Tsuchiura, Ibaraki)	Construction Machinery	Manufacturing facilities for construction machinery	5,840 [5,068]	11,534	11,753	1,422	-	319	30,869	3,057
Hitachi High-Technologies Corporation, Naka Area (Hitachinaka, Ibaraki)	Electronic Systems & Equipment	Manufacturing facilities for semiconductor processing equipment and test and measurement equipment, etc.	82 [115]	15,879	2,548	4,706	-	806	24,023	2,314
Hitachi Chemical Company, Ltd., Shimodate Works (Chikusei, Ibaraki)	High Functional Materials & Components	Manufacturing facilities for circuit board materials, etc.	4,539 [683]	7,753	10,216	680	29	743	23,960	1,701
Hitachi Building Systems Co., Ltd., Head Office (Chiyoda-ku, Tokyo)	Social Infrastructure & Industrial Systems	Other facilities	7,711 [108]	10,150	519	1,164	-	476	20,020	1,788
Hitachi Chemical Company, Ltd., Yamazaki Works (Hitachi, Ibaraki)	High Functional Materials & Components	Manufacturing facilities for semiconductor materials, etc.	891 [454]	9,312	7,564	541	42	797	19,147	939
Hitachi Metals, Ltd., Ibaraki Works (Hitachi, Ibaraki)	High Functional Materials & Components	Manufacturing facilities for wires and cables and lubber product, etc.	4,739 [1,163]	8,671	2,185	665	162	1,438	17,860	1,374
Hitachi Construction Machinery Co., Ltd., Hitachinaka Works (Hitachinaka, Ibaraki)	Construction Machinery	Manufacturing facilities for construction machinery	1,998 [214]	7,550	6,511	60	-	-	16,120	251

(4) Overseas subsidiaries

(As of March 31, 2017)

Subsidiary (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)							Number of employees
			Land [Area in thousands of m²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other	Construction in progress	Total	
Horizon Nuclear Power Limited (Gloucester, U.K.)	Social Infrastructure & Industrial Systems	Land, etc. for nuclear power plant	55,278 [4,430]	285	1	1,035	-	70,573	127,172	256
Waupaca Foundry, Inc. (Wisconsin, U.S.A.)	High Functional Materials & Components	Manufacturing facilities for automotive components	776 [5,710]	17,989	37,509	3,782	-	2,812	62,868	4,273
Hitachi Automotive Systems Mexico, S.A. de C.V. (Querétaro, Mexico)	Automotive Systems	Manufacturing facilities for automotive equipment	3,185 [488]	9,014	25,473	2,577	-	3,603	43,852	3,115
Hitachi Data Systems Corporation (California, U.S.A.)	Information & Telecommunication Systems	Other facilities	- [-]	-	18,864	13,973	2,845	-	35,682	6,019
Hitachi Automotive Systems Americas, Inc. (Kentucky, U.S.A.)	Automotive Systems	Manufacturing facilities for automotive equipment	382 [1,242]	7,201	16,075	4,877	1	6,373	34,909	3,650

(Note) The figures for Horizon Nuclear Power Limited and Hitachi Data Systems Corporation 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. For this reason, it discloses amounts of capital investment by segment.

The amount of capital investment for the fiscal year ending March 31, 2018 will be ¥350.0 billion (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
Information & Telecommunication Systems	35.0	Renewal of data center equipment, streamline development and production of other products
Social Infrastructure & Industrial Systems	80.0	Facility for nuclear power generation systems, manufacturing facilities for railway systems, manufacturing facilities for elevators and escalators, streamline development and production of other products
Electronic Systems & Equipment	20.0	Development of semicondustor processing equipment, streamline development and production of other products
Construction Machinery	15.0	Streamline production of construction machinery, antiseismic reinforcement
High Functional Materials & Components	120.0	Increase and streamline production of specialty steel products and functional components and equipment, increase production of magnetic materials, streamline production of wires, cables, and related products, R&D facilities
Automotive Systems	60.0	Increase production of automotive equipment, etc.
Smart Life & Ecofriendly Systems	10.0	Streamline development and production of products, delivery center
Others	10.0	System development facilities
Subtotal	350.0	-
Corporate Items & Eliminations	0.0	-
Total	350.0	-

(Notes) 1. The figures in the above table include the amount of the tangible fixed assets leased under finance lease transactions and the investment property, each of which is recorded as property, plant and equipment and other non-current assets, respectively.

2. These planned investments are expected to be mostly financed with the Hitachi Group’s own capital.

3. There are no plans to dispose or sell principal facilities, with the exception of disposing and selling faci lities 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	10,000,000,000
Total	10,000,000,000

2) Issued shares

Class	Number of shares issued as of the end of fiscal year (shares) (March 31, 2017)	Number of shares issued as of the filing date (shares) (June 21, 2017)	Stock exchange on which the Company is listed	Description
Common stock	4,833,463,387	4,833,463,387	Tokyo, Nagoya	The number of shares per one unit of shares is 1,000 shares.
Total	4,833,463,387	4,833,463,387	-	-

(Note) The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from June 1, 2017 to the filing date.

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

The stock acquisition rights which the Company issued are as follows.

Name		As of the end of fiscal year (March 31, 2017)	As of the end of the last month ended before the filing date (May 31, 2017)
The First Stock Acquisition Rights of Hitachi, Ltd.	Number of stock acquisition rights	24,219	21,898
	Number of stock acquisition rights held by the Company	—	—
	Class of shares to be issued upon exercise of stock acquisition rights	Common stock	Common stock
	Number of shares to be issued upon exercise of stock acquisition rights	2,421,900 shares (Note 1)	2,189,800 shares (Note 1)
	Amount to be paid in upon exercise of stock acquisition rights	¥1 per share	¥1 per share
	Exercise period of stock acquisition rights	From July 15, 2016 to July 14, 2046	From July 15, 2016 to July 14, 2046
	Issue price for shares issued upon exercise of stock acquisition rights and amount of capitalization	Issue price: ¥269 (Note 2) Amount of capitalization: (Note 3)	Issue price: ¥269 (Note 2) Amount of capitalization: (Note 3)
	Conditions for the exercise of stock acquisition rights	(Note 4, 5)	(Note 4, 5)
	Matters regarding acquisition of stock acquisition rights through transfer	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.
	Matters regarding substitute payment	—	—
	Matters regarding grant of stock acquisition rights upon organizational restructuring	(Note 6)	(Note 6)

Name		As of the end of fiscal year (March 31, 2017)	As of the end of the last month ended before the filing date (May 31, 2017)
The Second Stock Acquisition Rights of Hitachi, Ltd.	Number of stock acquisition rights	–	22,906
	Number of stock acquisition rights held by the Company	–	–
	Class of shares to be issued upon exercise of stock acquisition rights	–	Common stock
	Number of shares to be issued upon exercise of stock acquisition rights	–	2,290,600 shares (Note 1)
	Amount to be paid in upon exercise of stock acquisition rights	–	¥1 per share
	Exercise period of stock acquisition rights	–	From April 27, 2017 to April 26, 2047
	Issue price for shares issued upon exercise of stock acquisition rights and amount of capitalization	–	Issue price: ¥368.6 (Note 2) Amount of capitalization: (Note 3)
	Conditions for the exercise of stock acquisition rights	–	(Note 4, 5)
	Matters regarding acquisition of stock acquisition rights through transfer	–	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.
	Matters regarding substitute payment	–	–
	Matters regarding grant of stock acquisition rights upon organizational restructuring	–	(Note 6)

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

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

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

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

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

      Any fraction less than one stock acquisition right will be rounded down.
   c. In case the TSR/TOPIX Growth Rate Ratio is less than 80%
      No Allotted Rights may be exercised.

6. In the event that the Company engages in a merger (only if the Company is to be dissolved as a result of the merger), an absorption-type company split or incorporation-type company split (in each case, only if the Company is to be a split company), or share exchange or share transfer (in each case, only if the Company is to be a wholly-owned subsidiary) (hereafter all of which are collectively referred to as "Corporate Reorganization"), then stock acquisition rights for the entities specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (such entity hereinafter referred to as the "Reorganized Company") shall be issued to the Stock Acquisition Right Holders holding stock acquisition rights remaining in effect (the "Remaining Stock Acquisition Rights") immediately prior to the effective date of the Corporate Reorganization (hereinafter respectively referring to an effective date of absorption-type merger in case of an absorption-type merger, a date of incorporation of a company incorporated through a consolidation-type merger in case of a consolidation-type merger, an effective date of absorption-type company split in case of an absorption-type company split, a date of incorporation of a company incorporated through an incorporation-type company split in case of an incorporation-type company split, an effective date of a share exchange in case of a share exchange, or a date of incorporation of a wholly owning parent company incorporated through share transfer). However, these stock acquisition rights shall be granted only if provisions for issuing the stock acquisition rights of the Reorganized Company in accordance with the following conditions are included in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement, or a share transfer plan.
   (1) The number of stock acquisition rights of the Reorganized Company to be issued
      The number of stock acquisition rights equal to the number of Remaining Stock Acquisition Rights held by respective Stock Acquisition Right Holders shall be issued.
   (2) The class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
      Common shares of the Reorganized Company shall be issued.
   (3) The number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights
      The number shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights, taking into account the conditions and other factors concerning Corporate Reorganization.
   (4) Amount of assets to be contributed upon the exercise of stock acquisition rights
      The amount of assets contributed upon the exercise of stock acquisition rights to be issued shall be amount derived by multiplying the amount to be paid in per share to be delivered upon exercise of stock acquisition rights of the Reorganized Company (the "Post-reorganization Exercise Price") prescribed below by the number of shares of the Reorganized Company to be issued determined in accordance with paragraph (3) of this section. The Post-Reorganization exercise price shall be one yen.
   (5) Exercise period of stock acquisition rights
      The exercise period of stock acquisition rights shall be from the later of the first day of the exercise period of stock acquisition rights or the effective date of the Corporate Reorganization to the expiration date of the exercise period of stock acquisition rights.
   (6) Matters concerning common stock and capital reserve to be increased due to the issuance of shares upon the exercise of stock acquisition rights
      The matters shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights.
   (7) Restrictions on acquisition of stock acquisition rights through transfer
      The acquisition of stock acquisition rights through transfer shall be subject to the approval of the Reorganized Company.
   (8) Conditions for the exercise of stock acquisition rights
      The matters shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights.
   (9) Matters concerning the acquisition of stock acquisition rights
      The matters shall be determined in accordance with terms and conditions of Remaining Stock Acquisition Rights.

(3) Information on moving strike convertible bonds, etc.

Not applicable.

(4) Information on shareholder right plans

Not applicable.

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

Date		Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From April 1, 2012 to March 31, 2013	(Note)	195,678,070	4,833,463,387	31,015	458,790	31,015	176,757
From April 1, 2013 to March 31, 2014		-	4,833,463,387	-	458,790	-	176,757
From April 1, 2014 to March 31, 2015		-	4,833,463,387	-	458,790	-	176,757
From April 1, 2015 to March 31, 2016		-	4,833,463,387	-	458,790	-	176,757
From April 1, 2016 to March 31, 2017		-	4,833,463,387	-	458,790	-	176,757

(Note) Changes due to conversion of convertible bonds with stock acquisition rights into stocks.

(6) Shareholders composition

(As of March 31, 2017)

Class of shareholders	Status of shares (one unit of stock: 1,000 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 share-holders	2	237	72	2,873	917	141	305,293	309,535	-
Share ownership (units)	46	1,393,987	144,176	89,947	2,042,197	471	1,140,875	4,811,699	21,764,387
Ownership percentage of shares (%)	0.00	28.97	3.00	1.87	42.44	0.01	23.71	100.00	-

(Notes) 1. Of 5,460,572 shares of treasury stock, 5,460 units are included in the “Individuals and others” column, while 572 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 stocks whose shareholders have not transferred titles), 26 units are included in the “Other institution” column and 827 shares are included in the “Number of shares less than one unit” column.

(7) Major shareholders

(As of March 31, 2017)

Name	Address	Share Ownership (shares)	Ownership percentage to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	284,898,000	5.89
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	252,038,415	5.21
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	105,779,384	2.19
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	93,264,995	1.93
Japan Trustee Services Bank, Ltd. (Trust Account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	88,220,000	1.83
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	84,599,000	1.75
State Street Bank and Trust Company 505225 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351 Boston, Massachusetts 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	75,789,192	1.57
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)	75,205,327	1.56
The Dai-ichi Life Insurance Company, Limited	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	71,361,222	1.48
Japan Trustee Services Bank, Ltd. (Trust Account 7)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	67,992,000	1.41
Total	-	1,199,147,535	24.81

(Notes) 1. The number of shares held by The Dai-ichi Life Insurance Company, Limited includes its contribution of 6,560,000 shares to the retirement allowance trust (the holder of said shares, as listed in the Shareholders' Register, is "Dai-ichi Life Insurance Account, Retirement Allowance Trust, Mizuho Trust & Banking Co., Ltd.").

2. Some reports on substantial shareholdings under the Financial Instruments and Exchange Act for the Company are available for public inspection. However, the information in the reports is not described in the above table since the Company does not confirm the actual status of shareholdings as of the end of fiscal year. The major contents of the reports are as follows.

Holders	Mitsubishi UFJ Trust and Banking Corporation and three other persons
Date on which the duty to file report	May 23, 2011
Number of shares	237,294,613 shares
Ownership percentage to the total number of issued shares	5.24%

Holders	BlackRock Japan Co. Ltd and nine other persons
Date on which the duty to file report	March 31, 2014
Number of shares	255,857,172 shares
Ownership percentage to the total number of issued shares	5.29%

(Note) The amendment to the report shown in the table above was filed by BlackRock Japan Co. Ltd. and seven other persons, and is available for public inspection. The amendment states that the number of shares and the ownership percentage to total number of issued shares increased to 307,755,969 shares and 6.31% respectively. The date on which the duty to file the amendment is April 14, 2017.

Holders	Sumitomo Mitsui Trust Bank, Limited and two other persons
Date on which the duty to file report	July 31, 2014
Number of shares	244,372,374 shares
Ownership percentage to the total number of issued shares	5.06%

(8) Information on voting rights

1) Issued shares

(As of March 31, 2017)

Classification	Number of shares (shares)		Number of voting rights	Description
Shares without voting right	-		-	-
Shares with restricted voting right (treasury stock, etc.)	-		-	-
Shares with restricted voting right (others)	-		-	-
Shares with full voting right (treasury stock, etc.)	Common stock	5,626,000	-	-
Shares with full voting right (others)	Common stock	4,806,073,000	4,806,073	-
Shares less than one unit	Common stock	21,764,387	-	-
Number of issued shares		4,833,463,387	-	-
Total number of voting rights	-		4,806,073	-

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

2) Treasury stock, etc.

(As of March 31, 2017)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	5,460,000	-	5,460,000	0.11
Aoyama Special Steel Co., Ltd.	1-12, Minato 1-chome, Chuo-ku, Tokyo	10,000	-	10,000	0.00
ISHII DENKOSHA Co., Ltd.	1-11, Oroshishinmachi 3-chome, Higashi-ku, Niigata-shi, Niigata	1,000	-	1,000	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	88,000	-	88,000	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	52,000	-	52,000	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	15,000	-	15,000	0.00
Total	-	5,626,000	-	5,626,000	0.12

(9) Details of stock option plans

Stock option plans in accordance with the Article 409 of the Companies Act

Date of resolution	June 29, 2016
Category and number of person to whom stock acquisition rights will be granted	31 Executive Officers of the Company 42 Corporate Officers of the Company
Class of shares to be issued upon exercise of stock acquisition rights	Common stock
Number of shares to be issued upon exercise of stock acquisition rights	See "(2) Information on the stock acquisition rights, etc."
Amount to be paid in upon exercise of stock acquisition rights	See "(2) Information on the stock acquisition rights, etc."
Exercise period of stock acquisition rights	See "(2) Information on the stock acquisition rights, etc."
Conditions for the exercise of stock acquisition rights	See "(2) Information on the stock acquisition rights, etc."
Matters regarding acquisition of stock acquisition rights through transfer	See "(2) Information on the stock acquisition rights, etc."
Matters regarding substitute payment	–
Matters regarding grant of stock acquisition rights upon organizational restructuring	See "(2) Information on the stock acquisition rights, etc."

Date of resolution	April 6, 2017
Category and number of person to whom stock acquisition rights will be granted	33 Executive Officers of the Company 37 Corporate Officers of the Company
Class of shares to be issued upon exercise of stock acquisition rights	Common stock
Number of shares to be issued upon exercise of stock acquisition rights	See "(2) Information on the stock acquisition rights, etc."
Amount to be paid in upon exercise of stock acquisition rights	See "(2) Information on the stock acquisition rights, etc."
Exercise period of stock acquisition rights	See "(2) Information on the stock acquisition rights, etc."
Conditions for the exercise of stock acquisition rights	See "(2) Information on the stock acquisition rights, etc."
Matters regarding acquisition of stock acquisition rights through transfer	See "(2) Information on the stock acquisition rights, etc."
Matters regarding substitute payment	–
Matters regarding grant of stock acquisition rights upon organizational restructuring	See "(2) Information on the stock acquisition rights, etc."

2. Information on Acquisition, etc. of Treasury Stock

Class of shares
Acquisition of common stock under Article 155, Item 7 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
Not applicable.

(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 stock less than one unit shares due to purchase requests from shareholders under Article 192, Paragraph 1 of the Companies Act

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2017	271,523	152,647,189
Treasury stock acquired during the current period (Note)	33,070	20,490,769

(Note) The number of treasury stock acquired due to requests to purchase stock less than one unit shares from June 1, 2017 to filing date is not included.

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

Classification	Fiscal year ended March 31, 2017		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	-	-	-	-
Acquired treasury stock which was transferred due to merger, share exchange or company split	-	-	-	-
Others (Acquired treasury stock which was transferred upon exercise of stock acquisition rights, and which was sold due to requests from shareholders holding shares less than one unit shares to sell additional shares)	58,880	42,567,954	65,100	46,695,906
Total number of treasury stock held	5,460,572	-	5,428,542	-

(Note) The follwings are not included: the number of treasury stock which was transferred upon exercise of stock aquisition rights from June 1, 2017 to the filing date; the number of treasury stock which was sold due to requests from shareholders holding less than one unit shares to sell additional shares from June 1, 2017 to the filing date; and the number of treasury stock acquired due to purchase requests from shareholders holding shares less than one unit shares from June 1, 2017 to the filing date.

3. Dividend Policy

The Company views enhancement of the long-term and overall interests of shareholders as an important management objective.

The industrial sector encompassing energy, information systems, social infrastructure and other primary businesses of the Company is undergoing rapid technological innovation and changes in market structure. This makes vigorous upfront investment in R&D and plant and equipment essential for securing and maintaining market competitiveness and improving profitability. Dividends are therefore decided based on medium-to-long term business plans with an eye to ensuring the availability of internal funds for reinvestment and the stable growth of dividends, with appropriate consideration of a range of factors, including the Company's financial condition, results of operations and dividend payout ratio.

The Company provides in its Articles of Incorporation that distribution of surplus will be made to shareholders of record as of March 31 and September 30 of each year and that the company may make further distribution of surplus to shareholders of record as of another record date for the purpose of distributing surplus. The Company also provides in its Articles of Incorporation that the Company may make distribution of surplus by resolution of its Board of Directors, without resolution at the General Meeting of Shareholders.

The Company believes that the repurchase of its shares should be undertaken, when necessary, as part of its policy on distribution to shareholders to complement the dividend payout. In addition, the Company will repurchase its own shares in order to flexibly implement a capital strategy, including business restructuring, to maximize shareholder value so far as consistent with the dividend policy. Such action will be taken by the Company after considering its future capital requirement under its business plans, market conditions and other relevant factors.

Based on the above policy, annual dividends of ¥13.0 per share were paid for the fiscal year ended March 31, 2017. At the Board of Directors meeting held on October 28, 2016, it was resolved to pay interim dividends of ¥6.0 per share, resulting in the total amount of interim dividends of ¥28,968 million. In addition, at the Board of Directors meeting held on May 12, 2017, it was resolved to pay year-end dividends of ¥7.0 per share, resulting in the total amount of year-end dividends of ¥33,796 million.

4. Changes in Share Prices

(1) Highest and lowest share prices in each of the recent five fiscal years

Fiscal year	144th business term	145th business term	146th business term	147th business term	148th business term
Year end	March 2013	March 2014	March 2015	March 2016	March 2017
Highest (yen)	578	877	939.9	858.0	679.5
Lowest (yen)	401	508	660	431.0	400.0

(2) Highest and lowest share prices in each of the recent six months

Month	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017
Highest (yen)	562.9	627.4	662.0	677.7	679.5	642.7
Lowest (yen)	461.5	502.8	611.4	633.5	613.0	602.5

(Note) The share prices are market prices on the first section of the Tokyo Stock Exchange.

5. Directors and Senior Management

Men: 45 persons, Women: 2 persons

(Women’s percentage to total number of Directors and Senior Management: 4%)

The Company is a company with Nominating Committee, etc. pursuant to the Companies Act. (See “ 6. Corporate Governance, etc. - (1)Corporate governance - 1) Outline of corporate organizations.”) Information on its Directors and Executive Officers is as follows.

(1) Directors

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions	Term of office	Share ownership (shares)
Director		Baba Kalyani	Jan. 7 1949	10/1983 Joint Managing Director, Bharat Forge Limited 6/1994 Managing Director, Bharat Forge Limited 8/1997 Chairman & Managing Director, Bharat Forge Limited (Currently in office) 6/2016 Director, Hitachi, Ltd.	(Note 1)	1,000
Director	Member of Nominating Committee	Cynthia Carroll	Nov. 13, 1956	10/1991 General Manager, Foil Products, Alcan Inc. 1/1996 Managing Director, Aughinish Alumina Ltd., Alcan Inc. 10/1998 President, Bauxite, Alumina and Speciality Chemicals, Alcan Inc. 1/2002 President & CEO, Primary Metal Group, Alcan Inc. 3/2007 CEO, Anglo American plc. (Retired in April 2013) 6/2013 Director, Hitachi, Ltd.	(Note 1)	3,000
Director	Member of Nominating Committee and Compensation Committee	Sadayuki Sakakibara	Mar. 22, 1943	6/2002 President and Representative Member of the Board, Toray Industries, Inc. 6/2010 Chairman of the Board and Representative Member of the Board, Toray Industries, Inc. 6/2013 Director, Hitachi, Ltd. 6/2014 Chairman of the Board, Toray Industries, Inc. 6/2015 Chief Senior Advisor and Chief Senior Counselor, Toray Industries, Inc. (Currently in office)	(Note 1)	36,000
Director		George Buckley	Feb. 23, 1947	2/1993 Chief Technology Officer, Motors, Drives and Appliances, Emerson Electric Company 9/1994 President, US Electrical Motors, Emerson Electric Company 7/1997 President, Mercury Marine Division and Corporate Vice President, Brunswick Corporation 4/2000 President and Chief Operating Officer, Brunswick Corporation 6/2000 Chairman and Chief Executive Officer, Brunswick Corporation 12/2005 Chairman of the Board, President and Chief Executive Officer, 3M Company 2/2012 Executive Chairman of the Board, 3M Company (Retired in May 2012) 6/2012 Chairman, Arle Capital Partners Limited (Retired in December 2015) Director, Hitachi, Ltd.	(Note 1)	19,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director		Louise Pentland	Apr. 11, 1972	8/1997 7/2001 9/2007 7/2008 6/2009 2/2011 4/2015 6/2015 7/2015 9/2016	Admitted as a Solicitor (UK) Senior Legal Counsel, Nokia Networks, Nokia Corporation Vice President, Acting Chief Legal Officer and Head of IP Legal, Nokia Corporation Senior Vice President and Chief Legal Officer, Nokia Corporation Admitted to New York State Bar Association Executive Vice President and Chief Legal Officer, Nokia Corporation (Retired in May, 2014) General Counsel, PayPal, eBay Inc. Director, Hitachi, Ltd. Senior Vice President and Chief Legal Officer, PayPal Holdings, Inc. Executive Vice President and Chief Business Affairs & Legal Officer, PayPal Holdings, Inc. (Currently in office)	(Note 1)	2,000
Director	Member of Audit Committee, Nominating Committee (Chair) and Compensation Committee (Chair)	Harufumi Mochizuki	Jul. 26, 1949	7/2002 7/2003 7/2006 7/2008 8/2010 10/2010 6/2012 6/2013	Director-General for Commerce and Distribution Policy, Minister's Secretariat, Ministry of Economy, Trade and Industry of Japan ("METI") Director-General, Small and Medium Enterprise Agency, METI Director-General, Agency for Natural Resources and Energy, METI Vice-Minister of Economy, Trade and Industry of Japan Special Advisor to the Cabinet of Japan (Retired in September 2011) Senior Adviser to the Board, Nippon Life Insurance Company (Retired in April 2013) Director, Hitachi, Ltd. President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. (Currently in office)	(Note 1)	9,000
Director	Member of Audit Committee and Compensation Committee	Takatoshi Yamamoto	Oct. 20, 1952	12/1995 6/1999 7/2005 6/2009 6/2011 6/2016	Managing Director, Morgan Stanley Japan Limited Managing Director and Vice Chairman, Tokyo Branch, Morgan Stanley Japan Limited Managing Director and Vice Chairman, UBS Securities Japan Co., Ltd. Managing Director, CASIO COMPUTER CO., LTD. Advisor, CASIO COMPUTER CO., LTD. (Retired in June 2012) Director, Hitachi, Ltd.	(Note 1)	25,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director		Philip Yeo	Oct. 29, 1946	6/1970 9/1979 1/1986 2/2001 4/2007 6/2012	Joined Ministry of Defense of Singapore Permanent Secretary, Ministry of Defense of Singapore Chairman, Economic Development Board of Singapore Chairman, Agency for Science, Technology and Research of Singapore Senior Advisor for Science and Technology to the Ministry of Trade & Industry, Singapore (Retired in September 2008) Special Advisor in Economic Development, Prime Minister's Office, Government of Singapore (Retired in August 2011) Chairman, SPRING Singapore (Currently in office) Director, Hitachi, Ltd.	(Note 1)	43,000
Director	Audit Committee (Chair)	Hiroaki Yoshihara	Feb. 9, 1957	11/1978 7/1996 10/1997 10/2003 6/2014	Joined Peat Marwick Mitchell & Co. National Managing Partner, the Pacific Rim Practice, KPMG LLP The Board Member, KPMG LLP Vice Chairman and Global Managing Partner, KPMG International (Retired in April 2007) Director, Hitachi, Ltd.	(Note 1)	5,000
Director	Member of Audit Committee	Kazuyuki Tanaka	Apr. 29, 1953	4/1977 4/2005 4/2006 6/2006 4/2008 4/2009 6/2009 4/2016 6/2016	Joined Hitachi Chemical Company, Ltd. Executive Officer, Hitachi Chemical Company, Ltd. Senior Executive Director, Hitachi Media Electronics Co., Ltd. Representative Director and President, Hitachi Media Electronics Co., Ltd. Vice President and Executive Officer, Hitachi Chemical Company, Ltd. Representative Executive Officer, President & Chief Executive Officer, Hitachi Chemical Company, Ltd. Director, Representative Executive Officer, President & Chief Executive Officer, Hitachi Chemical Company, Ltd. Chairman of the Board, Hitachi Chemical Company, Ltd. (Currently in office) Director, Hitachi, Ltd.	(Note 1)	13,000
Chairman of the Board	Member of Nominating Committee	Hiroaki Nakanishi	Mar. 14, 1946	4/1970 4/2003 6/2003 4/2004 6/2005 4/2006 4/2009 4/2010 6/2010 4/2014 4/2016	Joined Hitachi, Ltd. General Manager, Global Business Vice President and Executive Officer Senior Vice President and Executive Officer Senior Vice President and Executive Officer, Hitachi, Ltd. Chairman and Chief Executive Officer, Hitachi Global Storage Technologies, Inc. Executive Vice President and Executive Officer, Hitachi, Ltd. (Retired in December 2006) Executive Vice President and Executive Officer, Hitachi, Ltd. President, Hitachi, Ltd. President and Director, Hitachi, Ltd. Chairman & CEO and Director, Hitachi, Ltd. Chairman of the Board and Representative Executive Officer, Hitachi, Ltd.	(Note 1)	140,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director	Member of Audit Committee (Standing)	Toyoaki Nakamura	Aug. 3, 1952	4/1975 1/2006 4/2007 6/2007 6/2009 4/2012 6/2016	Joined Hitachi, Ltd. General Manager, Finance Department I Senior Vice President and Executive Officer Senior Vice President, Executive Officer and Director Senior Vice President and Executive Officer Executive Vice President and Executive Officer (Retired in March 2016) Director	(Note 1)	70,000
Director	Member of Compensation Committee	Toshiaki Higashihara	Feb. 16, 1955	4/1977 4/2006 4/2007 4/2008 4/2010 6/2010 4/2011 4/2013 4/2014 6/2014 4/2016	Joined Hitachi, Ltd. Chief Operating Officer, Information & Telecommunication Systems Vice President and Executive Officer (Retired in March 2008) President, Hitachi Power Europe GmbH President and Chief Executive Officer, Hitachi Plant Technologies, Ltd. President and Representative Director, Hitachi Plant Technologies, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. President & COO, Hitachi, Ltd. President & COO and Director, Hitachi, Ltd. President & CEO and Director, Hitachi, Ltd.	(Note 1)	63,000
Total							429,000

(Notes) 1. The term of office of the Directors starts upon the election at the Annual General Meeting of Shareholders on June 21, 2017 and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2018.

2. Messrs. Baba Kalyani, Sadayuki Sakakibara, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto, Philip Yeo and Hiroaki Yoshihara and Mses. Cynthia Carroll 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.

(2) Executive Officers

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer President & CEO	Overall management	Toshiaki Higashihara	See "(1) Directors"	See "(1)Directors"		(Note 2)	63,000
Representative Executive Officer Executive Vice President and Executive Officer	Assistant to the President and industrial products business	Masakazu Aoki	Jun. 23, 1954	4/1977 4/2012 10/2014 4/2016 4/2017	Joined Hitachi, Ltd. President and Director, Hitachi Industrial Equipment Systems Co., Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd. Chairman of the Board, Hitachi Industrial Equipment Systems Co., Ltd.	(Note 2)	10,000
Representative Executive Officer Executive Vice President and Executive Officer	Assistant to the President, marketing & sales, and social innovation business promotion	Ryuichi Kitayama	Feb. 4, 1952	4/1976 10/2009 4/2010 4/2014 4/2015	Joined Hitachi, Ltd. Chief Marketing Officer, Information & Telecommunication Group, Information & Telecommunication Systems Company Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	32,000
Representative Executive Officer Executive Vice President and Executive Officer	Assistant to the President and IoT business	Yutaka Saito	Dec. 11, 1954	4/1979 10/2009 4/2010 4/2012 4/2014	Joined Hitachi, Ltd. President & CEO, Information & Control Systems Company Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	28,000
Representative Executive Officer Executive Vice President and Executive Officer	Assistant to the President and systems & services business	Keiichi Shiotsuka	May. 8, 1954	4/1977 4/2012 4/2013 4/2015 4/2017	Joined Hitachi, Ltd. Chief Operating Officer, System Solutions Business, Information & Telecommunication Systems Company, Information & Telecommunication Systems Group Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	23,000
Representative Executive Officer Executive Vice President and Executive Officer	Assistant to the President and nuclear energy business	Koji Tanaka	Jan. 22, 1952	4/1974 5/2006 4/2007 4/2011	Joined Hitachi, Ltd. General Manager, Hitachi Works, Power Systems Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	138,600

Position	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 and management strategies	Toshikazu Nishino	Jan. 9, 1955	4/1980 4/2010 4/2011 4/2013 4/2015	Joined Hitachi, Ltd. Senior Manager, Strategy & Project Office, Supervisory Office for Management Reforms Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer	(Note 2)	14,000
Senior Vice President and Executive Officer	Cost structure reform, information technology strategies and supply chain management (MONOZUKURI and quality assurance)	Shinichiro Omori	Feb. 6, 1956	4/1978 9/2008 4/2012 4/2016	Joined Hitachi, Ltd. General Manager, Corporate Procurement Division Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	27,000
Representative Executive Officer Senior Vice President and Executive Officer	Corporate communications and CSR, legal matters, risk management and corporate auditing	Toshiaki Kuzuoka	Nov. 3, 1954	4/1978 4/2001 4/2007 4/2011	Joined Hitachi, Ltd. General Manager, Legal Division Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	213,000
Senior Vice President and Executive Officer	Services & platforms business	Keiji Kojima	Oct. 9, 1956	4/1982 4/2011 4/2012 4/2016	Joined Hitachi, Ltd. General Manager, Hitachi Research Laboratory Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	23,000
Senior Vice President and Executive Officer	Building systems business	Hiroshi Sato	Aug. 3, 1950	4/1973 4/2004 4/2010 4/2011 4/2013 4/2015	Joined Hitachi, Ltd. CIO, Urban Planning and Development Systems, General Manager of Sales Division Vice President, Board Director, Hitachi Automotive Systems, Ltd. Senior Vice President, Board Director, Hitachi Automotive Systems, Ltd. President and COO, Representative Director, Hitachi Automotive Systems, Ltd. (Retired in March 2015) Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	17,000
Senior Vice President and Executive Officer	Governments & external relations	Yasuo Tanabe	Oct. 5, 1954	4/1978 8/2006 6/2010 4/2011 4/2016	Joined Ministry of International Trade and Industry Deputy Director-General, Economic Affairs Bureau, Ministry of Foreign Affairs (Retired in March 2010) Joined Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	21,000

Position	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	Marketing & sales and social innovation business promotion	Yoshitaka Tsuda	Jul. 3, 1955	4/1979 4/2012 4/2014 4/2017	Joined Hitachi, Ltd. Chief Marketing Officer, Information & Telecommunication Systems Company Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	56,000
Senior Vice President and Executive Officer	Railway systems business	Alistair Dormer	Aug. 29, 1963	2/2001 6/2003 10/2009 9/2012 4/2014 4/2015 4/2016	Director of Business Development, Alstom Transport U.K. Ltd. Joined Hitachi Europe Ltd. Managing Director, Hitachi Rail Europe Ltd. Executive Chairman and CEO, Hitachi Rail Europe Ltd. (Currently in office) Global CEO of Rail Systems business, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	0
Representative Executive Officer Senior Vice President and Executive Officer	Finance and corporate pension system	Mitsuaki Nishiyama	Sep. 25, 1956	4/1979 4/2008 4/2011 6/2012 4/2013 7/2013 4/2014 4/2015 4/2016	Joined Hitachi, Ltd. General Manager, Finance Department I Executive Officer, Hitachi Cable, Ltd. (Currently Hitachi Metals, Ltd.) Executive Officer, Board Director, Hitachi Cable, Ltd. Vice President and Executive Officer, Board Director, Hitachi Cable, Ltd. Vice President and Managing Officer, Hitachi Metals, Ltd. Vice President and Executive Officer, Hitachi Metals, Ltd. (Retired in March 2015) Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	9,000
Vice President and Executive Officer	Business for industry & distribution sectors	Hiroyuki Ugawa	Jun. 19, 1959	4/1982 4/2015 4/2016	Joined Hitachi, Ltd. Chief Operating Officer of Systems & Services Business, Information & Telecommunication Systems Company, Information & Telecommunication Systems Group Vice President and Executive Officer	(Note 2)	10,000
Vice President and Executive Officer	Water business	Kenji Urase	Jun. 18, 1961	4/1986 3/2015 4/2017	Joined Hitachi, Ltd. President, Hitachi Power Solutions Co., Ltd. (Retired in March 2017) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	12,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer	Services & platforms business	Ryuichi Otsuki	Mar. 15, 1958	4/1981 4/2014 4/2015	Joined Hitachi, Ltd. Chief Strategy Officer and General Manager of Group Business Development Division, Information & Telecommunication Systems Company, Information & Telecommunication Systems Group Vice President and Executive Officer	(Note 2)	27,000
Vice President and Executive Officer	Power business	Atsushi Oda	Feb. 19, 1958	4/1980 4/2015 4/2016	Joined Hitachi, Ltd. General Manager of Transmission & Distribution Systems Division, Energy Solutions Company and Chief Operating Officer of Power Systems Company, Power & Infrastructure Systems Group Vice President and Executive Officer	(Note 2)	26,000
Vice President and Executive Officer	Investment strategies and strategies for next generation business	Yoshihiko Kawamura	Aug.20, 1956	4/1979 4/2010 4/2015 4/2016 4/2017	Joined Mitsubishi Corporation Senior Vice President, Division COO, IT Service Division, Mitsubishi Corporation (Retired in March 2015) Joined Hitachi, Ltd. Executive Strategist, Information & Telecommunication Systems Group Deputy General Manager of IoT Business Promotion Division and General Manager of Incubation Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	8,000
Vice President and Executive Officer	Regional strategies (China)	Kenichi Kokubo	Nov. 25, 1955	4/1979 4/2011 4/2014	Joined Hitachi, Ltd. President, Hitachi (China) Ltd. Vice President and Executive Officer	(Note 2)	18,000
Vice President and Executive Officer	Urban solutions business	Keizo Kobayashi	Jan. 23, 1960	4/1983 5/2015 4/2016	Joined Hitachi, Ltd. Chief Operating Officer of Industrial Products Company, Power & Infrastructure Systems Group Vice President and Executive Officer	(Note 2)	9,000

Position	Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer	Systems & services business	Setsuo Shibahara	Feb. 3, 1958	4/1982 4/2014 4/2015 4/2016	Joined Hitachi, Ltd. Chief Operating Officer of Systems & Solutions Business, and General Manager of Service Division Group, Information & Telecommunication Systems Company, Information & Telecommunication Systems Group Chief Strategy Officer of Information & Telecommunication Systems Company, and Chief Operating Officer of Systems & Services Business, Information & Telecommunication Systems Company, Information & Telecommunication Systems Group Vice President and Executive Officer	(Note 2)	28,000
Vice President and Executive Officer	Governments & external relations	Akira Shimizu	Nov. 3, 1954	4/1979 10/2012 4/2013	Joined Hitachi, Ltd. General Manager, International Strategy Division Vice President and Executive Officer	(Note 2)	10,000
Vice President and Executive Officer	Research & development	Norihiro Suzuki	Dec. 5, 1961	4/1986 10/2014 4/2015 4/2016	Joined Hitachi, Ltd. General manager of Central Research Laboratory General Manager of Global Center for Social Innovation, Research & Development Group, and General Manager of Central Research Laboratory Group Vice President and Executive Officer	(Note 2)	4,000
Vice President and Executive Officer	Business for government, public corporation and social infrastructure systems	Katsuya Nagano	Aug. 30, 1958	4/1983 4/2016 4/2017	Joined Hitachi, Ltd. General Manager of Social Infrastructure Information Systems Division, Information & Communication Technology Business Division Vice President and Executive Officer	(Note 2)	15,000
Vice President and Executive Officer	Human capital	Hidenobu Nakahata	Jan. 24, 1961	4/1983 10/2013 4/2014	Joined Hitachi, Ltd. Deputy General Manager, Human Capital Group Vice President and Executive Officer	(Note 2)	24,000
Vice President and Executive Officer	Marketing & sales (business for financial institutions, government, public corporation and social infrastructure systems, healthcare business and defense systems business)	Tadashi Namura	Feb. 27, 1957	4/1980 4/2015 4/2016 4/2017	Joined Hitachi, Ltd. Deputy General Manager of Corporate Sales & Marketing Group Deputy General Manager of Corporate Sales & Marketing Group and General Manager of Social Innovation Business Division Vice President and Executive Officer	(Note 2)	27,000

Position	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 (nuclear energy business, power business and energy solutions business)	Isao Narukawa	Sep. 8, 1955	4/1978 4/2013 4/2015	Joined Hitachi, Ltd. General Manager, Chubu Area Operation Vice President and Executive Officer	(Note 2)	30,000
Vice President and Executive Officer	Energy solutions business	Masaaki Nomoto	Sep. 17, 1958	4/1984 4/2015 4/2016	Joined Hitachi, Ltd. President & CEO of Energy Solutions Company Vice President and Executive Officer	(Note 2)	17,000
Vice President and Executive Officer	Railway systems business	Kentaro Masai	May. 22, 1959	4/1982 4/2014 4/2016	Joined Hitachi, Ltd. President & CEO of Rail Systems Company, Infrastructure Systems Group Vice President and Executive Officer	(Note 2)	18,000
Vice President and Executive Officer	Marketing & sales (business for industry & distribution sectors, water business, building systems business, railway systems business and urban solutions business)	Yasushi Manabe	Dec. 15, 1956	4/1979 4/2016 4/2017	Joined Hitachi, Ltd. Deputy General Manager of Corporate Sales & Marketing Group and Chief Marketing Officer of Industry & Distribution, Water and Urban businesses Vice President and Executive Officer	(Note 2)	25,000
Vice President and Executive Officer	Management strategies	Mamoru Morita	Apr. 12, 1959	4/1983 4/2015 4/2016	Joined Hitachi, Ltd. General Manager of Strategy Planning Division Vice President and Executive Officer	(Note 2)	40,000
Vice President and Executive Officer	Business for financial institutions	Tsugio Yamamoto	Aug. 27, 1959	3/1978 4/2016 4/2017	Joined Hitachi, Ltd. CEO of Financial Institutions Business Unit and CEO of Government & Public Corporation Business Unit Vice President and Executive Officer	(Note 2)	6,000
Vice President and Executive Officer	Healthcare business	Masaya Watanabe	Jan. 31, 1958	4/1982 4/2011 4/2012	Joined Hitachi, Ltd. Chief Strategy Officer, Information & Telecommunication Systems Company Vice President and Executive Officer	(Note 2)	49,000
Representative Executive Officer	General	Hiroaki Nakanishi	See “(1) Directors”	See “(1)Directors”		(Note 2)	140,000
Total							1,217,600

(Notes) 1. The “Responsibility” column describes 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, 2018.

6. Corporate Governance, etc.

(1) Corporate governance

1) Outline of corporate organizations

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 execution of business operations.

Board of Directors

The Board of Directors approves 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 the shareholders' common interests. The basic management policy includes 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. As of June 21, 2017, the Board of Directors was made up of 13 Directors, and nine of whom are outside Directors and two concurrently serve as Executive Officers. Within the Board of Directors, there are three statutory committees of the Nominating Committee, the Audit Committee and the Compensation Committee with outside Directors accounting for the majority of members of each committee. The Board of Directors meetings were held 8 days during the fiscal year ended March 31, 2017, and the attendance rate of Directors at those meetings was 99%. The Nominating Committee meetings were held 10 days, the Audit Committee meetings were held 16 days, and the Compensation Committee meetings were held 4 days during the fiscal year ended March 31, 2017.

The Nominating Committee has the authority to determine particular proposals submitted to the general meeting of shareholders for the election and dismissal of Directors, and consists of four Directors, three of whom are outside Directors.

The Audit Committee has the authority to audit the execution of duties of Directors and Executive Officers and to determine on proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors, and consists of five Directors, including three outside Directors and one standing Audit Committee member. 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. Toyoaki Nakamura, the member of the Audit Committee, has considerable knowledge of finance and accounting due to his long experience as the General Manager of accounting and finance of the Company as well as Executive Officer responsible for accounting and finance for many years.

The Compensation Committee has the authority to determine remuneration policies for Directors and Executive Officers and remuneration for individuals based on them. The Compensation Committee consists of four Directors, three of whom are outside Directors.

With regard to the number of Directors and their election, the Company stipulates in its Articles of Incorporation that the Company shall have not more than 20 Directors. With regard to the adoption of resolution for the election of Directors, the Company stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting, that 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 Company maintains a limited liability agreement (hereinafter referred to as "Agreement") stipulated in Article 427, Paragraph 1 of the Companies Act with each director (excluding Executive Director, etc.) 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.

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, 2017, the Company has 36 Executive Officers.

The Company stipulates in its Articles of Incorporation that the Company shall have not more than 40 Executive Officers.

Senior Executive Committee

The Senior Executive Committee is a council to ensure that President deliberately decides on important managerial matters, which may affect the Company or the Hitachi Group business, through discussing from diverse viewpoints. It consists of 10 members as of June 21, 2017; President & CEO, six Executive Vice President and Executive Officers and three Senior Vice President and Executive Officers.

2) 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 the resolution of the Board of Directors, without resolution at the general meeting of shareholders.

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

Regarding 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 at 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 timely decide on these important business judgments by 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 Article 423, Paragraph 1 of the Companies Act to the extent as provided in laws or regulations.

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

To enable 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 in such meeting and are entitled to vote.

4) 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 director(s), who does not serve concurrently as an executive officer, as a director 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 with the duties of each Committee and the Board of Directors.

(b) In order to ensure the independence of the Office personnel 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 without delay to the members of the Audit Committee significant matters affecting the Company and its subsidiaries, results of internal audits, and the implementation status of reporting under the internal reporting system. It shall be provided for in the company regulation that reporters using the internal reporting system, which applies to the employees of the Company and its subsidiaries, shall not receive disadvantageous treatment for reason of having made a report, and the secretariat of the system shall thoroughly administer this provision.

(d) The Office shall be in charge of payment for the expenses incurred in connection with the execution of the duties of the Audit Committee members and other administrative duties, and shall promptly process the payment for the expense or debt except in the case where the expense or debt of the claim is clearly found to be unnecessary to the execution of the duties of them.

(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 effective to ensure the adequacy of business operations within the Company and the Hitachi Group.

(a) Such fundamental policies as the emphasis of 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 operations corresponding to its size and other characteristics, basic framework of which is similar to ones employed in the Company. In order to ensure development of such systems in each subsidiary, directors and auditors shall be sent from the Company to its subsidiary, and regular audits shall be conducted for the subsidiary.

(c) A reporting system to Directors shall be established to ensure that the execution of duties by Executive Officers of the Company is in compliance with laws, regulations, and the Articles of Incorporation.

(d) Information pertaining to the execution of duties by Executive Officers of the Company 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 for employees of the Company and its subsidiaries 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.

5) Internal audit and audit by the Audit Committee

(a) Internal audit

The Internal Auditing Office is in charge of internal audit within Hitachi Group and audits business units, corporate divisions of headquarters and subsidiaries and affiliates. The number of staff of the Internal Auditing Office is 36 as of March 31, 2017.

The Internal Auditing Office monitors and assesses whether overall business operations, including marketing, personnel management, labor management, compliance, procurement transactions, production, environment, disaster prevention, export regulations, information system, accounting and financing activities, and property management of 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 results of auditing to the President & CEO and the Audit Committee. Furthermore, relating to the internal control over financial reporting, the internal control division in the Internal Audit Office promotes to establish and maintain the internal control systems pursuant to the Company's guideline, assesses its effectiveness, and reports the results to the President & CEO and the Audit Committee.

(b) Audit by the Audit Committee

The Audit Committee conducts audits for whether corporate administration by Directors and Executive Officers are properly carried out under appropriate internal control systems.

The Audit Committee develops the audit policy and the audit plan, and periodically receives reports or conducts hearing for execution of duties from Directors and Executive Officers. In addition, the members of the Audit Committee, who are in charge of internal investigation, investigate business units of the Company and receive reports from subsidiaries in order to check whether business transaction and property management are properly carried out, and then report the results to the Audit Committee. Furthermore, such members of the Audit Committee attend the important meetings including the budget meeting, the Senior Executive Committee and the Disclosure Committee, inspect audit reports from internal audit divisions, and provide internal audit divisions with instructions about divisions to be subject to auditing and items to be focused, if necessary.

The Audit Committee receives reports and explanations about the audit plan and results of the audit from the accounting auditor, and based on the reports, verifies results of financial audits and internal control audits. In addition, the Audit Committee receives reports and explanations of 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 to the accounting auditor.

6) Outside Directors

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

For electing an outside Director, the Nominating Committee of the Company considers, in addition to the following criteria for the independency, whether the outside 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 outside Director, the Company considers the outside 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 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 and 2% of that organization's annual gross revenues.

* An "immediate family member" includes a person's spouse, parents, children, siblings, grand-parents, 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 outside Directors

Following the policy stated in "(a) Qualification for outside Directors and criteria for the independency," the Company has elected nine persons; Messrs. Baba Kalyani, Sadayuki Sakakibara, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto, Philip Yeo and Hiroaki Yoshihara and Mses. Cynthia Carroll and Louise Pentland, as outside Directors under Article 2, Item 15 of the Companies Act. Each outside Director is expected to enhance functions of the Company's Board of Directors through supervising execution of duties of Executive Officers and others from an independent perspective, based on rich experiences and insights as top executive of major global companies in the cases of Ms. Cynthia Carroll and Messrs. Baba Kalyani, Sadayuki Sakakibara and George Buckley, based on deep insight into corporate legal matters and corporate governance gained through her rich experience as the chief legal officer of major global companies in the case of Ms. Louise Pentland, based on diverse experiences and insights in such areas as public administration in the cases of Messrs. Harufumi Mochizuki and Philip Yeo, based on a broad range of insight in business and management gained through his experience in the area of corporate analysis and global corporate management in the case of Mr. Takatoshi Yamamoto and based on rich experiences and insights in the area of global corporate management and accounting in the case of Mr. Hiroaki Yoshihara.

(c) Supervising by the outside Directors

Outside Directors, comprising of majority of Directors, supervise execution of duties of Executive Officers from an independent perspective. As described in the item “5) Internal audit and audit by the Audit Committee” above, the Audit Committee, of which majority members are outside 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.

(d) Relationship between outside Directors and the Company

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

The Company considers that all outside 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 outside Director is described in “5. Directors and Senior Management.”

7) Status of accounting audit

Certified public accountants (CPAs) who executed accounting audit of the Company are as follows. In addition, other CPAs and staff belonging to Ernst & Young ShinNihon LLC assisted execution of accounting audit works as instructed by the three CPAs.

CPA having executed accounting audit works	Audit corporation to which CPA belongs
Takashi Ouchida	Ernst & Young ShinNihon LLC
Takahiro Saga	Ernst & Young ShinNihon LLC
Takuya Tanaka	Ernst & Young ShinNihon LLC

8) Compensation to Directors and Executive Officers

(a) 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 on the determination of the amount of compensation, etc. of each Director and Executive Officer pursuant to applicable provisions of the Companies Act.

[Basic Policy]

Compensation for Directors and Executive Officers shall be determined in accordance with the following basic policy.

- Compensation shall be such that it enables the company to attract necessary personnel to achieve an improvement in corporate value through global business growth.
- Compensation shall be commensurate with roles and responsibilities of each Directors and Executive Officers.
- Compensation for Directors shall be such that it enables them to exercise functions of supervision of management effectively.
- Compensation for Executive Officers shall be such that it enables them to contribute to sustained improvement in corporate value through the execution of business and employs an appropriate balance between short-term performance and medium and long-term performance.
- The level of compensation shall be determined taking into account compensation levels at other companies as well as economic and market trends.
- The Compensation Committee utilizes external experts to gain expert advice and an objective viewpoint, if necessary, for considering the details and amounts of compensation.

[Compensation Structure]

(i) Matters relating to Directors

Compensation for Directors will consist of a basic remuneration and a year-end allowance.

- Basic remuneration will be decided by adjusting basic amount that reflect full-time or part-time status, committee membership and position, travel from place of residence, etc.
- Year-end allowance will be a pre-determined amount equivalent to about 20% of the Director's annual income based on basic remuneration, although this amount may be reduced depending on financial results.

A Director concurrently serving as an Executive Officer will not be paid compensation as a Director.

(ii) Matters relating to Executive Officers

Compensation for Executive Officers will consist of a basic remuneration, a performance-linked compensation and a medium and long-term incentive compensation. The higher position Executive Officers hold, the higher proportion of variable pay (the sum of performance-linked compensation and medium and long-term incentive compensation, except basic remuneration as fixed pay) will be set to the total annual compensation.

- Basic remuneration will be decided by adjusting a basic amount to reflect the results of an assessment. The basic amount is set in accordance with the relevant position.
- Performance-linked compensation will be decided within the range of 0 to 200% of a basic amount by adjusting that amount to reflect financial results and individual performance. The basic amount is set within the range of about 25 to 35% of the total annual compensation of each Executive Officer in accordance with the relevant position.
- Medium and long-term incentive compensation will be stock options as stock-based compensation with share price conditions (stock acquisition rights with the strike price of one yen), the number of which to be granted will be determined within the range of about 10 to 40% of the total annual compensation of each Executive Officer in accordance with the relevant position. The number of stock acquisition rights that may be exercised will be determined within the range of 0 to 100% of the stock acquisition rights granted in accordance with the conditions. As for expatriates, cash award based on the value of the Company's share price with the similar conditions will be substituted for the stock options.

(iii) Miscellaneous

It was decided at the Compensation Committee meetings held on December 18, 2007 and March 26, 2008 that the compensation structure for Directors and Executive Officers will be re-examined starting with the compensation for fiscal 2008 and that the retirement allowance will be abolished. The payment of retirement allowance to Directors and Executive Officers due to the abolition of the retirement allowance system will be in an amount determined by the Compensation Committee at the time of the retirement of a relevant Director or Executive Officer.

(b) Amount of compensation

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)			Number of persons
		Basic remuneration	Year-end allowance and performance-linked compensation	Medium and long-term incentive compensation	
Directors (excluding outside Directors)	75	69	6	-	4
Outside Directors	308	290	17	-	10
Executive Officers	2,569	1,386	982	200	33
Total	2,953	1,747	1,005	200	47

(Notes) 1. The number of Directors indicated excludes two Directors who concurrently serve as Executive Officers.

2. The amount of compensation to Directors (excluding outside Directors) includes the basic remuneration for two Directors, who retired due to expiration of their term of office at the close of the 147th Annual General Meeting of Shareholders held on June 22, 2016.

3. The amount of compensation to Outside Directors includes the basic remuneration for one outside director, who retired due to expiration of his term of office at the close of the 147th Annual General Meeting of Shareholders held on June 22, 2016.

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:

<table>
<tr><th rowspan="3">Name</th><th rowspan="3">Company</th><th rowspan="3">Category</th><th colspan="4">Total amount of each type (Millions of yen)</th><th rowspan="3">Total amount of compensa-tion, etc. (Millions of yen)</th></tr>
<tr><th rowspan="2">Basic remuneration</th><th colspan="2">Incentives</th><th rowspan="2">Year-end allowance</th></tr>
<tr><th>Short-term (Note 1)</th><th>Medium and Long-term (Note 2)</th></tr>
<tr><td>Toshiaki Higashihara</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer (Note 3)</td><td>102</td><td>70</td><td>37</td><td>-</td><td>209</td></tr>
<tr><td rowspan="3">Ryuichi Kitayama</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>57</td><td>40</td><td>10</td><td>-</td><td rowspan="3">110</td></tr>
<tr><td>Hitachi High-Technologies Corporation (Consolidated subsidiary)</td><td>Director</td><td>1</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Hitachi Capital Corporation (Consolidated subsidiary) (Note 4)</td><td>Director</td><td>1</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Yutaka Saito</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>49</td><td>39</td><td>10</td><td>-</td><td rowspan="3">113</td></tr>
<tr><td>Hitachi Kokusai Electric Inc. (Consolidated subsidiary)</td><td>Director</td><td>7</td><td>-</td><td>-</td><td>1</td></tr>
<tr><td>Hitachi Construction Machinery Co., Ltd. (Consolidated subsidiary)</td><td>Director</td><td>5</td><td>-</td><td>-</td><td>1</td></tr>
<tr><td rowspan="2">Koji Tanaka</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>57</td><td>40</td><td>10</td><td>-</td><td rowspan="2">112</td></tr>
<tr><td>Hitachi Chemical Company, Ltd. (Consolidated subsidiary)</td><td>Director</td><td>3</td><td>-</td><td>-</td><td>0</td></tr>
<tr><td>Toshikazu Nishino</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>61</td><td>41</td><td>10</td><td>-</td><td>113</td></tr>
<tr><td>Alistair Dormer (Note 5)</td><td>Hitachi Rail Europe Ltd. (Consolidated subsidiary) (Note 6)</td><td>Executive Chairman and CEO</td><td>67</td><td>40</td><td>38</td><td>-</td><td>146</td></tr>
<tr><td>Hiroaki Nakanishi</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer (Note 3)</td><td>97</td><td>67</td><td>24</td><td>-</td><td>189</td></tr>
</table>

(Notes) 1. Compensations from the Company and consolidated subsidiaries paid depending on finacial results and individual performances in the short term are collectively called.

2. Medium and long-term incentive compensation for Executive Officers of the Company is stock options as stock-based compensation.

3. Although concurrently serving as Director for the fiscal year ended March 31, 2017, Messrs. Toshiaki Higashihara and Hiroaki Nakanishi did not receive compensation as Director.

4. The amount of compensation from Hitachi Capital Corporation is only for the period for which the company was a consolidated subsidiary of the Company in the fiscal year ended March 31, 2017.

5. Although concurrently served as Executive Officer of the Company for the fiscal year ended March 31, 2017, Mr. Alistair Dormer did not receive compensation as Executive Officer of the Company.

6. The basic remuneration paid in Sterling pounds is converted into yen using average exchange rate for each quarter of the fiscal year ended March 31, 2017. The incentives paid in Sterling pounds are converted into yen using average exchange rate for the fiscal year ended March 31, 2017.

9) Information on shareholdings

(a) Equity securities held for purposes other than pure investment

Number of stock names: 309 stock names

Total amount recorded in the balance sheet: ¥324,323 million

(b) Stock name, number of shares, amount recorded in the balance sheet, and purpose of holding regarding equity securities held for purposes other than pure investment

(Fiscal year ended March 31, 2016)

Specified investment securities

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
Renesas Electronics Corporation	127,725,748	92,473	Received in relation to the reorganization, etc. of Renesas Technology Corp. which was an affiliate of the Company
Western Digital Corporation	6,250,000	33,268	Maintaining and enhancing business relationship
Central Japan Railway Company	900,000	17,914	Maintaining and enhancing business transactions
East Japan Railway Company	812,400	7,890	Maintaining and enhancing business transactions
Yungtay Engineering Co., Ltd.	31,817,168	5,105	Maintaining and enhancing business relationship
Electric Power Development Co., Ltd.	980,780	3,447	Maintaining and enhancing business transactions
ShinMaywa Industries, Ltd.	4,000,337	3,192	Maintaining and enhancing business transactions
Seibu Holdings Inc.	1,286,900	3,064	Maintaining and enhancing business transactions
Shin-Etsu Chemical Co., Ltd.	521,000	3,034	Maintaining and enhancing business transactions
Ono Pharmaceutical Co., Ltd.	120,000	2,859	Maintaining and enhancing business transactions
The Chugoku Electric Power Co., Inc.	1,412,622	2,147	Maintaining and enhancing business transactions
The Chiba Bank, Ltd.	3,269,000	1,833	Maintaining and enhancing business transactions
The Japan Steel Works, LTD.	5,050,000	1,792	Maintaining and enhancing business transactions
Sapporo Holdings Limited	2,988,000	1,673	Maintaining and enhancing business transactions
Oclaro, Inc.	2,650,000	1,612	Received as consideration for the reorganization of Oclaro, Inc. and Opnext, Inc. which was an affiliate of the Company
West Japan Railway Company	215,000	1,494	Maintaining and enhancing business transactions
Chubu Electric Power Co., Inc.	900,254	1,414	Maintaining and enhancing business transactions
The Dai-ichi Life Insurance Company, Limited	1,000,000	1,362	Maintaining and enhancing business transactions
Kintetsu Corporation	2,842,913	1,296	Maintaining and enhancing business transactions

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
NGK INSULATORS, LTD.	607,000	1,261	Maintaining and enhancing business transactions
Toho Gas Co., LTD.	1,524,471	1,218	Maintaining and enhancing business transactions
Sotetsu Holdings, Inc.	1,570,518	1,083	Maintaining and enhancing business transactions
Japan Tobacco Inc.	225,000	1,055	Maintaining and enhancing business transactions
Keio Corporation	1,032,873	1,020	Maintaining and enhancing business transactions
Benefit One Inc.	400,000	1,015	Maintaining and enhancing business transactions
TOYO DENKI SEIZO K.K.	2,100,000	829	Maintaining and enhancing business relationship
Hokuriku Electric Power Company	518,400	825	Maintaining and enhancing business transactions
NOF Corporation	1,000,000	798	Maintaining and enhancing business transactions
DAIICHI SANKYO COMPANY, LIMITED	300,000	750	Maintaining and enhancing business transactions
TOKYU CORPORATION	788,032	743	Maintaining and enhancing business transactions

(Note) Since the number of stock of which balance sheet amount exceeds 1% of the amount of the Company's common stock on the balance sheet is less than 30, the top 30 stocks in balance sheet amount are listed.

(Fiscal year ended March 31, 2017)
Specified investment securities

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
Renesas Electronics Corporation	127,725,748	149,055	Received in relation to the reorganization, etc. of Renesas Technology Corp. which was an affiliate of the Company
Western Digital Corporation	6,250,000	57,869	Maintaining and enhancing business relationship
Central Japan Railway Company	900,000	16,326	Maintaining and enhancing business transactions
Hitachi Maxell, Ltd.	7,797,100	15,835	Maintaining business relationship
East Japan Railway Company	812,400	7,875	Maintaining and enhancing business transactions
Yungtay Engineering Co., Ltd.	31,817,168	6,160	Maintaining and enhancing business relationship
Shin-Etsu Chemical Co., Ltd.	521,000	5,024	Maintaining and enhancing business transactions
Electric Power Development Co., Ltd.	980,780	2,554	Maintaining and enhancing business transactions
Seibu Holdings Inc.	1,286,900	2,364	Maintaining and enhancing business transactions
The Chiba Bank, Ltd.	3,269,000	2,337	Maintaining and enhancing business transactions
Sapporo Holdings Limited	597,600	1,798	Maintaining and enhancing business transactions

Stock name	Number of shares (shares)	Balance sheet amount (Millions of yen)	Purpose of holding
West Japan Railway Company	215,000	1,556	Maintaining and enhancing business transactions
NGK INSULATORS, LTD.	607,000	1,529	Maintaining and enhancing business transactions
Ono Pharmaceutical Co., Ltd.	600,000	1,382	Maintaining and enhancing business transactions
Benefit One Inc.	400,000	1,366	Maintaining and enhancing business transactions
Toho Gas Co., LTD.	1,524,471	1,199	Maintaining and enhancing business transactions
erex Co., Ltd.	750,000	984	Maintaining and enhancing business relationship
Keio Corporation	1,032,873	910	Maintaining and enhancing business transactions
The Japan Steel Works, LTD.	505,000	905	Maintaining and enhancing business transactions
Kintetsu Corporation	2,242,913	899	Maintaining and enhancing business transactions
Chubu Electric Power Co., Inc.	600,254	894	Maintaining and enhancing business transactions
Japan Tobacco Inc.	225,000	814	Maintaining and enhancing business transactions
Sotetsu Holdings, Inc.	1,570,518	811	Maintaining and enhancing business transactions
Showa Denko K.K.	400,000	794	Maintaining and enhancing business transactions
Seiko Electric Co., Ltd.	1,180,320	790	Maintaining and enhancing business transactions
Tohoku Electric Power Co., Inc.	505,000	761	Maintaining and enhancing business transactions
DAIICHI SANKYO COMPANY, LIMITED	300,000	752	Maintaining and enhancing business transactions
Kyushu Electric Power Company Inc.	592,500	702	Maintaining and enhancing business transactions
Tosoh Corporation	657,000	642	Maintaining and enhancing business transactions
TOKYU CORPORATION	788,032	620	Maintaining and enhancing business transactions

(Note) Since the number of stock of which balance sheet amount exceeds 1% of the amount of the Company's common stock on the balance sheet is less than 30, the top 30 stocks in balance sheet amount are listed.

(c) Equity securities held for pure investment

None.

(2) Audit Fees

1) Fees to Certified Public Accountants

Category	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
	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	439	92	485	34
Consolidated subsidiaries	1,219	187	1,009	118
Total	1,658	279	1,494	152

2) Other fees

Audit fees paid by the Company and its consolidated subsidiaries to the Company's accounting auditor, Ernst & Young ShinNihon LLC Group (including Ernst & Young and its group firms which belong to the same network as Ernst & Young ShinNihon LLC), were ¥3,628 million for the fiscal year ended March 31, 2016, and ¥2,993 million for the fiscal year ended March 31, 2017, respectively. These fees are mainly paid for audit services to its overseas consolidated subsidiaries.

3) Descriptions of non-audit services to the Company

Non-audit services to the Company in the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017 were various consulting services.

4) Policy on determination of audit fees

For determining the amount of audit fees, the Company conducts hearing of the audit plan and verify efficiency of audit services, including the number of days, hours for auditing, the number of subjects to be audited and the scope of audit, etc., and appropriateness of the estimate. The Company also discusses 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 discussion between the auditors and Executive Officers of the Company and approves the amount of the fees in advance of the Company's decision.

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	1,000 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) 1. 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.

2. 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:
   (1) Rights under each item of Article 189, Paragraph 2 of the Companies Act;
   (2) Rights to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders; or
   (3) 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, 2017 to the filing date of the Annual Securities Report.

(1)	Annual Securities Report and documents attached, and Confirmation Letter (The 147th business term (from April 1, 2015 to March 31, 2016))	Filed with the Director of the Kanto Local Finance Bureau on June 22, 2016
(2)	Internal Control Report	Filed with the Director of the Kanto Local Finance Bureau on June 22, 2016
(3)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on June 23, 2016
(4)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on June 29, 2016
(5)	Amended Extraordinary Report (Amendment to Extraordinary Report (4) above)	Filed with the Director of the Kanto Local Finance Bureau on July 15, 2016
(6)	Quarterly Report and Confirmation Letter (The First Quarter of the 148th business term (from April 1, 2016 to June 30, 2016))	Filed with the Director of the Kanto Local Finance Bureau on August 8, 2016
(7)	Amended Annual Securities Report and Confirmation Letter (Amendment to Annual Securities Report (1) above)	Filed with the Director of the Kanto Local Finance Bureau on August 26, 2016
(8)	Quarterly Report and Confirmation Letter (The Second Quarter of the 148th business term (from July 1, 2016 to September 30, 2016))	Filed with the Director of the Kanto Local Finance Bureau on November 14, 2016
(9)	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 February 1, 2017
(10)	Quarterly Report and Confirmation Letter (The Third Quarter of the 148th business term (from October 1, 2016 to December 31, 2016))	Filed with the Director of the Kanto Local Finance Bureau on February 8, 2017
(11)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on April 6, 2017
(12)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 3 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on April 25, 2017
(13)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on April 27, 2017
(14)	Amended Extraordinary Report (Amendment to Extraordinary Report (11) above)	Filed with the Director of the Kanto Local Finance Bureau on April 27, 2017
(15)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 3 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on May 12, 2017

(16)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on May 12, 2017
(17)	Amended Shelf Registration Statement (Amended Shelf Registration Statement concerning the Shelf Registration Statement filed on June 26, 2015)	Filed with the Director of the Kanto Local Finance Bureau on May 13, 2016 June 23, 2016 June 29, 2016 July 15, 2016 July 22, 2016 August 26, 2016 February 1, 2017 April 6, 2017 April 25, 2017 April 27, 2017 and May 12, 2017

Part II Information on Guarantors, etc. for the Company

Not applicable.

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Statement of Financial Position

Millions of yen

	As of March 31, 2017	As of March 31, 2016
Assets		
Current assets		
Cash and cash equivalents (note 26)	765,242	699,315
Trade receivables (notes 6, 7 and 26)	2,433,149	2,992,770
Lease receivables (notes 8 and 26)	42,365	338,758
Inventories (note 9)	1,225,907	1,299,855
Other current assets	535,943	541,857
Total current assets	5,002,606	5,872,555
Non-current assets		
Investments accounted for using the equity method (note 10)	691,251	676,960
Investments in securities and other financial assets (note 26)	719,704	1,329,974
Lease receivables (notes 8 and 26)	38,646	727,485
Property, plant and equipment (note 11)	1,998,411	2,500,226
Intangible assets (note 12)	919,201	1,070,403
Other non-current assets (note 13)	294,098	373,402
Total non-current assets	4,661,311	6,678,450
Total assets	9,663,917	12,551,005
Liabilities		
Current liabilities		
Short-term debt (note 26)	196,357	871,417
Current portion of long-term debt (notes 8 and 26)	190,233	651,518
Other financial liabilities (note 26)	274,270	280,048
Trade payables (note 14)	1,402,233	1,451,918
Accrued expenses	687,905	727,402
Advances received (note 7)	472,132	480,457
Other current liabilities (notes 15 and 30)	497,729	531,456
Total current liabilities	3,720,859	4,994,216
Non-current liabilities		
Long-term debt (notes 8 and 26)	790,013	2,081,520
Other financial liabilities (note 26)	53,422	115,155
Retirement and severance benefits (note 16)	635,684	783,670
Other non-current liabilities (notes 13 and 15)	366,944	450,874
Total non-current liabilities	1,846,063	3,431,219
Total liabilities	5,566,922	8,425,435
Equity		
Hitachi, Ltd. stockholders’ equity		
Common stock (note 17)	458,790	458,790
Capital surplus (notes 17 and 20)	577,573	586,790
Retained earnings (notes 17 and 19)	1,793,570	1,609,761
Accumulated other comprehensive income (note 18)	141,068	83,543
Treasury stock, at cost (note 17)	(3,916)	(3,806)
Total Hitachi, Ltd. stockholders’ equity	2,967,085	2,735,078
Non-controlling interests	1,129,910	1,390,492
Total equity	4,096,995	4,125,570
Total liabilities and equity	9,663,917	12,551,005

See accompanying notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

Years ended March 31, 2017 and 2016		Millions of yen
	2017	2016
Revenues	9,162,264	10,034,305
Cost of sales	(6,782,677)	(7,459,073)
Gross profit	2,379,587	2,575,232
Selling, general and administrative expenses	(1,792,278)	(1,940,363)
Other income (note 21)	100,742	57,539
Other expenses (note 21)	(146,568)	(141,881)
Financial income (note 22)	7,091	10,615
Financial expenses (note 22)	(26,206)	(30,295)
Share of profit (loss) of investments accounted for using the equity method (note 10)	(47,186)	156
EBIT (Earnings before interest and taxes)	475,182	531,003
Interest income	12,923	12,028
Interest charges	(19,014)	(25,991)
Income from continuing operations, before income taxes	469,091	517,040
Income taxes (note 13)	(125,112)	(165,206)
Income from continuing operations	343,979	351,834
Loss from discontinued operations (notes 15 and 23)	(5,950)	(57,081)
Net income	338,029	294,753
Net income attributable to:		
Hitachi, Ltd. stockholders	231,261	172,155
Non-controlling interests	106,768	122,598
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders (note 24)		Yen
Basic	49.13	47.48
Diluted	49.12	47.44
Earnings per share attributable to Hitachi, Ltd. stockholders (note 24)		
Basic	47.90	35.65
Diluted	47.88	35.62

Consolidated Statement of Comprehensive Income

Years ended March 31, 2017 and 2016		Millions of yen
	2017	2016
Net income	338,029	294,753
Other comprehensive income (OCI) (note 18)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	59,934	(50,323)
Remeasurements of defined benefit plans	46,086	(140,844)
Share of OCI of investments accounted for using the equity method	(1,887)	(4,275)
Total items not to be reclassified into net income	104,133	(195,442)
Items that can be reclassified into net income		
Foreign currency translation adjustments	(64,761)	(190,099)
Net changes in cash flow hedges	21,303	32,785
Share of OCI of investments accounted for using the equity method	1,166	(26,239)
Total items that can be reclassified into net income	(42,292)	(183,553)
Other comprehensive income (OCI)	61,841	(378,995)
Comprehensive income (loss)	399,870	(84,242)
Comprehensive income (loss) attributable to:		
Hitachi, Ltd. stockholders	299,397	(127,557)
Non-controlling interests	100,473	43,315

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended March 31, 2017 Millions of yen

	2017							
	Common stock (note 17)	Capital surplus (note 17)	Retained earnings (notes 17 and 19)	Accumulated other comprehensive income (note 18)	Treasury stock, at cost (note 17)	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 5)	Total equity
Balance at beginning of year	458,790	586,790	1,609,761	83,543	(3,806)	2,735,078	1,390,492	4,125,570
Changes in equity								
Reclassified into retained earnings	-	-	10,486	(10,486)	-	-	-	-
Net income	-	-	231,261	-	-	231,261	106,768	338,029
Other comprehensive income(loss)	-	-	-	68,136	-	68,136	(6,295)	61,841
Dividends to Hitachi, Ltd. stockholders	-	-	(57,938)	-	-	(57,938)	-	(57,938)
Dividends to non-controlling interests	-	-	-	-	-	-	(38,283)	(38,283)
Acquisition of treasury stock	-	-	-	-	(153)	(153)	-	(153)
Sales of treasury stock	-	(15)	-	-	43	28	-	28
Changes in non-controlling interests	-	(9,202)	-	(125)	-	(9,327)	(322,772)	(332,099)
Total changes in equity	-	(9,217)	183,809	57,525	(110)	232,007	(260,582)	(28,575)
Balance at end of year	458,790	577,573	1,793,570	141,068	(3,916)	2,967,085	1,129,910	4,096,995

Year ended March 31, 2016 Millions of yen

	2016							
	Common stock (note 17)	Capital surplus (note 17)	Retained earnings (notes 17 and 19)	Accumulated other comprehensive income (note 18)	Treasury stock, at cost (note 17)	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of year	458,790	608,416	1,477,517	401,100	(3,542)	2,942,281	1,354,061	4,296,342
Changes in equity								
Reclassified into retained earnings	-	-	18,030	(18,030)	-	-	-	-
Net income	-	-	172,155	-	-	172,155	122,598	294,753
Other comprehensive loss	-	-	-	(299,712)	-	(299,712)	(79,283)	(378,995)
Dividends to Hitachi, Ltd. stockholders	-	-	(57,941)	-	-	(57,941)	-	(57,941)
Dividends to non-controlling interests	-	-	-	-	-	-	(39,502)	(39,502)
Acquisition of treasury stock	-	-	-	-	(295)	(295)	-	(295)
Sales of treasury stock	-	(4)	-	-	31	27	-	27
Changes in non-controlling interests	-	(21,622)	-	185	-	(21,437)	32,618	11,181
Total changes in equity	-	(21,626)	132,244	(317,557)	(264)	(207,203)	36,431	(170,772)
Balance at end of year	458,790	586,790	1,609,761	83,543	(3,806)	2,735,078	1,390,492	4,125,570

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2017 and 2016 — Millions of yen

	2017	2016
Cash flows from operating activities:		
Net income	338,029	294,753
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	415,183	507,790
Impairment losses	68,587	44,781
Income taxes	124,039	164,812
Share of loss of investments accounted for using the equity method	47,186	604
Financial income and expenses	324	4,172
Net gain on business reorganization and others	(81,369)	(55,235)
(Gain) loss on sale of property, plant and equipment	(15,103)	4,475
Change in trade receivables	(196,824)	(53,092)
Change in inventories	(22,731)	44,342
Change in other assets	13,299	(9,665)
Change in trade payables	111,589	(1,602)
Change in retirement and severance benefits	(56,539)	(67,175)
Change in other liabilities	16,408	59,852
Other	1,050	13,529
Subtotal	763,128	952,341
Interest received	13,307	12,234
Dividends received	14,113	32,385
Interest paid	(20,664)	(27,356)
Income taxes paid	(140,302)	(157,378)
Net cash provided by (used in) operating activities	629,582	812,226
Cash flows from investing activities (note 25):		
Purchase of property, plant and equipment	(316,116)	(369,494)
Purchase of intangible assets	(101,034)	(116,438)
Purchase of leased assets	(292,943)	(539,420)
Proceeds from sale of property, plant and equipment, and intangible assets	52,208	22,632
Proceeds from sale of leased assets	14,539	23,834
Collection of lease receivables	180,726	326,497
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(177,303)	(196,608)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	248,956	137,852
Other	53,012	(19,654)
Net cash provided by (used in) investing activities	(337,955)	(730,799)
Cash flows from financing activities (note 25):		
Change in short-term debt, net	(233,818)	(69,801)
Proceeds from long-term debt	512,898	717,810
Payments on long-term debt	(397,394)	(537,188)
Proceeds from payments from non-controlling interests	7,638	1,034
Dividends paid to Hitachi, Ltd. stockholders	(57,935)	(57,907)
Dividends paid to non-controlling interests	(36,508)	(41,671)
Acquisition of common stock for treasury	(153)	(295)
Proceeds from sales of treasury stock	28	27
Purchase of shares of consolidated subsidiaries from non-controlling interests	(4,305)	(38,361)
Proceeds from partial sales of shares of consolidated subsidiaries to non-controlling interests	60	-
Other	(47)	(115)
Net cash provided by (used in) financing activities	(209,536)	(26,467)
Effect of exchange rate changes on cash and cash equivalents	(16,164)	(57,348)
Change in cash and cash equivalents	65,927	(2,388)
Cash and cash equivalents at beginning of year	699,315	701,703
Cash and cash equivalents at end of year	765,242	699,315

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 nine segments consisting of information and telecommunication systems, social infrastructure and industrial systems, electronic systems and equipment, construction machinery, high functional materials and components, automotive systems, smart life and ecofriendly systems, others and financial services.

(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 (FVTPL), financial assets measured at fair value through other comprehensive income (FVTOCI) 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 26. 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. *(h) Impairment of Non-financial Assets*
- note 3. *(i) Retirement and Severance Benefits* and note 16. Employee Benefits
- note 3. *(j) Provisions,* note 3. *(k) Contingencies,* note 15. Provisions and note 30. Commitments and Contingencies
- note 3. *(l) Revenue Recognition* and note 7. Construction Contracts
- note 3. *(m) Income Taxes* and note 13. Deferred Taxes and Income Taxes

(3) Summary of Significant 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. The consolidated structured entities are primarily trusts for securitizations of trade receivables and lease receivables.

(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.

(d) Financial Instruments

The Company has adopted IFRS 9 "Financial Instruments" (IFRS 9) (issued in November 2009, amended in October 2010).

(i) Non-derivative Financial Assets

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

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

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

Financial Assets Measured at Amortized Cost

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

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

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

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

FVTOCI Financial Assets

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

FVTPL Financial Assets

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

Impairment of Financial Assets Measured at Amortized Cost

On a regular basis, but no less frequently than at the end of each quarterly reporting period, the Company evaluates financial assets measured at amortized cost for impairment. Impairment is deemed to have occurred if there is an objective evidence of impairment after initial recognition and in case the estimated future cash flows from the financial assets falls below their respective carrying amounts. Objective evidence of impairment includes historical credit loss experience, existence of overdue payments, extended payment terms, negative evaluation by third party credit rating agencies, and deteriorated financial position and operating results, such as a capital deficit.

Impairment losses on debt securities are recognized if the carrying amount of the financial asset exceeds either its estimated future cash flows discounted by the initial effective interest rate or its estimated fair value using the observable market price, and measured as the difference.

Assessing impairment losses on trade receivables and other receivables requires a considerable amount of judgment, involving historical experience and analysis, including the current creditworthiness of each customer. The Company measures an impairment loss based on the credit loss ratio calculated taking into consideration factors including historical experience or the estimate of collectible amount after assessing multiple potential risks associated with the country in which a debtor conducts business or business environment including special business customs particular to the region.

Impairment losses on debt instruments directly reduce the carrying amount of the assets, while the impairment losses on trade receivables and other receivables indirectly reduce the carrying amount through the use of an allowance account. For trade receivables and other receivables, account balances are generally written off against the allowance only after all means of collection have been exhausted and the potential for recovery is considered remote. In case that subsequent events or circumstances decrease the amount of the impairment loss recognized, the impairment loss is reversed through profit or loss.

(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 highly 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 OCI if the hedge is considered highly effective. This treatment continues until profit or loss is affected by the variability of cash flows or the unrecognized firm commitment of the designated hedged item, at which point changes in fair value of the derivative are recognized in profit or loss.

The Company follows the documentation requirements as prescribed by International Accounting Standards (IAS) 39 “Financial Instruments: Recognition and Measurement,” 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 highly effective in offsetting changes in fair values or cash flows of the hedged items. Hedge accounting is discontinued if a hedge becomes ineffective.

(iv) Offsetting Financial Assets and Liabilities

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

(e) 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.

(f) 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

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.

(g) Intangible Assets

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

Intangible assets with indefinite useful lives and goodwill are stated at cost less accumulated impairment losses.

(h) 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 goodwill and intangible assets with indefinite-lives 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.

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.

(i) Retirement and Severance Benefits

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

(j) 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.

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.

(k) Contingencies

The Company discloses contingent liabilities in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” if an obligation does not meet the recognition criteria of provisions prescribed above in *(j) 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.

(l) Revenue Recognition

(i) Sale of Goods

Revenue from the sale of goods is recognized when all of the following conditions are met.

・The significant risks and rewards of ownership of the goods have been transferred to the customer
・The Company has neither continuing managerial involvement nor effective control over the goods sold
・The amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably
・It is probable that the economic benefits associated with the transaction will flow to the Company

Revenue from the sale of goods is recognized upon delivery of goods to the customer. Typical revenue is from the sale of information technology system products, software licenses, construction equipment, disk drives, air conditioners, high functional materials, cable products, automotive equipment, semiconductor processing equipment, test and measurement equipment, railway vehicles, medical devices, industrial machinery and equipment, elevators and escalators. Revenue from a software arrangement that requires significant production, modification or customization of software is recognized using the percentage of completion method, provided that there are reasonable and reliable estimates related to contract revenue, cost and the extent of progress toward completion.

(ii) Rendering of Services

Revenue from the rendering of services is recognized when all of the following conditions are met.

・The stage of completion of the transaction at the end of the reporting period can be measured reliably

・The amount of revenue and the costs incurred for the transaction at the end of the reporting period can be measured reliably

・It is probable that the economic benefits associated with the transaction will flow to the Company

Service revenues from facility maintenance, facility operations, outsourcing, logistics and others are recognized as services are provided. Revenue from long-term fixed price service contracts such as support or maintenance contracts is recognized ratably over the contractual period. If historical data shows that service cost does not accrue ratably over the contractual period and the service is rendered in proportion to the accrual of the cost for the service, revenue is recognized based on the pattern of the cost accrual. Finance lease income is recognized using the effective interest method, and operating lease income is recognized on a straight-line basis over the term of the lease.

(iii) Construction Contracts

The operating cycles of construction contracts, such as infrastructure systems, are generally greater than one year. Revenues from these long-term construction contracts are recognized using the percentage of completion method, provided that the progress of the construction can be reliably estimated. Revenue under the percentage of completion method is calculated by the latest estimate of the total selling price multiplied by the ratio of the cost incurred to date to the estimated total cost of the construction. Any anticipated losses on fixed price contracts are expensed in profit or loss when such losses are estimated. If the outcome of a construction contract cannot be reliably estimated, revenue is recognized only to the extent that the recoverability of contract costs incurred is highly probable, and contract costs are recognized as an expense in the period in which they are incurred.

(iv) Multiple Element Transactions

The Company offers multiple solutions to meet its customers' needs. Those solutions may involve the delivery or performance of multiple elements, such as goods and services, and performance may occur at different points in time or over different periods of time. When one element is delivered prior to the other in an arrangement, revenue is deferred until the last element is delivered, unless transactions are such that the delivered item has value to the customer on a standalone basis, or delivery or performance of the undelivered item is considered probable and substantially in the control of the Company if the arrangement includes a general right of return relative to the delivered item.

If both described conditions above are met, each element in an arrangement is considered to be separately identifiable, and consideration is allocated to the separately identifiable components of a single arrangement based on the relative selling price of each component. The Company determines the relative selling price by taking into account various factors such as an overall market conditions, including geographically or regionally specific market factors, competitors' prices for similar items, profit objective and pricing practices.

(m) Income Taxes

Deferred tax assets and liabilities resulting from temporary differences and others are accounted for based on a liability method. A deferred tax liability is 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 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. A deferred tax asset is 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. 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.

(n) Consumption Tax

Consumption tax collected and remitted to taxing authorities is excluded from revenues, cost of sales and expenses in the consolidated statement of profit or loss.

(o) 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.

(p) Business Combinations

Business combinations are accounted for using the acquisition method. Consideration is measured as the sum of the fair value of the consideration transferred at acquisition date and the non-controlling interests in the acquiree. 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.

(q) 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 currently evaluating the potential impact of adopting these new standards and amendments on its financial position and business performance.

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 9	Financial Instruments	January 1, 2018	April 1, 2018	Amendments for hedge accounting (amended in November 2013) Amendments for the classification and measurement of financial instruments, and adoption of expected credit loss impairment model for financial assets (amended in July 2014)
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	April 1, 2018	Revised accounting standard for revenue recognition and disclosure
IFRS 16	Leases	January 1, 2019	April 1, 2019	Revised lease definition and mainly lessee accounting

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

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

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

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

Construction Machinery:
Hydraulic excavators, Wheel loaders and Mining machinery

High Functional Materials & Components:
Semiconductor and display related materials, Circuit boards and materials, Automotive parts (molded plastics, etc.), Energy storage devices, Specialty steels, Magnetic materials and components, High grade casting components and materials and Wires and cables

Automotive Systems:
Engine management systems, Electric powertrain systems, Drive control systems and Car information systems

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

Others:
Optical disk drives, Property management and others

Financial Services:
Leasing and Loan guarantees

Effective from April 1, 2016, the Company changed the name of Others (Logistics and Other services) to Others.
In October 2016, the Company sold a certain number of shares of Hitachi Capital Corporation (Hitachi Capital). As a result, Hitachi Capital and its subsidiaries, which were included in the Financial Services segment, became equity-method associates of the Company. Accordingly, total assets and investments accounted for using the equity method of the Financial Services segment as of March 31, 2017 are left blank "-". From the beginning of the third quarter of the year ended March 31, 2017, the Company includes its share of profit (loss) of investments accounted for using the equity method of Hitachi Capital and its subsidiaries in Corporate items and Eliminations.

Notes to Consolidated Financial Statements

The following tables show business segment information for the years ended March 31, 2017 and 2016.

Revenues from Outside Customers

Millions of yen

	2017	2016
Information & Telecommunication Systems	1,815,085	1,858,364
Social Infrastructure & Industrial Systems	2,053,607	2,051,214
Electronic Systems & Equipment	1,067,237	1,016,350
Construction Machinery	747,122	742,306
High Functional Materials & Components	1,408,622	1,499,180
Automotive Systems	988,928	996,074
Smart Life & Ecofriendly Systems	528,633	646,847
Others	375,903	878,663
Financial Services	170,583	342,801
Subtotal	9,155,720	10,031,799
Corporate items	6,544	2,506
Total	9,162,264	10,034,305

Revenues from Intersegment Transactions

Millions of yen

	2017	2016
Information & Telecommunication Systems	167,736	250,957
Social Infrastructure & Industrial Systems	278,324	281,930
Electronic Systems & Equipment	103,138	111,258
Construction Machinery	6,825	16,025
High Functional Materials & Components	56,065	64,872
Automotive Systems	3,356	5,118
Smart Life & Ecofriendly Systems	28,682	34,171
Others	277,891	374,099
Financial Services	8,629	22,552
Subtotal	930,646	1,160,982
Corporate items and Eliminations	(930,646)	(1,160,982)
Total	-	-

Total Revenues

Millions of yen

	2017	2016
Information & Telecommunication Systems	1,982,821	2,109,321
Social Infrastructure & Industrial Systems	2,331,931	2,333,144
Electronic Systems & Equipment	1,170,375	1,127,608
Construction Machinery	753,947	758,331
High Functional Materials & Components	1,464,687	1,564,052
Automotive Systems	992,284	1,001,192
Smart Life & Ecofriendly Systems	557,315	681,018
Others	653,794	1,252,762
Financial Services	179,212	365,353
Subtotal	10,086,366	11,192,781
Corporate items and Eliminations	(924,102)	(1,158,476)
Total	9,162,264	10,034,305

Segment Profit (Loss)

Millions of yen

	2017	2016
Information & Telecommunication Systems	76,458	109,141
Social Infrastructure & Industrial Systems	(19,993)	29,108
Electronic Systems & Equipment	66,772	64,370
Construction Machinery	22,735	25,847
High Functional Materials & Components	123,342	153,553
Automotive Systems	65,830	53,947
Smart Life & Ecofriendly Systems	31,840	41,967
Others	20,630	40,609
Financial Services	22,841	46,665
Subtotal	410,455	565,207
Corporate items and Eliminations	64,727	(34,204)
Total	475,182	531,003
Interest income	12,923	12,028
Interest charges	(19,014)	(25,991)
Income from continuing operations, before income taxes	469,091	517,040

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

Total Assets

Millions of yen

	March 31, 2017	March 31, 2016
Information & Telecommunication Systems	1,672,386	1,654,008
Social Infrastructure & Industrial Systems	3,205,656	3,217,211
Electronic Systems & Equipment	967,731	1,082,782
Construction Machinery	1,036,800	996,117
High Functional Materials & Components	1,666,879	1,596,464
Automotive Systems	743,095	728,451
Smart Life & Ecofriendly Systems	326,373	322,466
Others	1,552,003	1,983,923
Financial Services	-	3,091,487
Subtotal	11,170,923	14,672,909
Corporate assets and Eliminations	(1,507,006)	(2,121,904)
Total	9,663,917	12,551,005

Corporate assets mainly consist of cash and cash equivalents, investments in securities and other financial assets, and investments accounted for using the equity method.

Investments Accounted for Using the Equity Method

Millions of yen

	March 31, 2017	March 31, 2016
Information & Telecommunication Systems	14,523	12,758
Social Infrastructure & Industrial Systems	390,653	482,507
Electronic Systems & Equipment	385	325
Construction Machinery	22,815	18,415
High Functional Materials & Components	36,501	45,879
Automotive Systems	5,213	6,899
Smart Life & Ecofriendly Systems	50,715	45,930
Others	6,607	6,722
Financial Services	-	20,329
Subtotal	527,412	639,764
Corporate items and Eliminations	163,839	37,196
Total	691,251	676,960

Depreciation and Amortization

Millions of yen

	2017	2016
Information & Telecommunication Systems	95,921	113,161
Social Infrastructure & Industrial Systems	44,646	43,277
Electronic Systems & Equipment	24,325	22,477
Construction Machinery	35,843	41,285
High Functional Materials & Components	71,549	73,078
Automotive Systems	51,656	48,310
Smart Life & Ecofriendly Systems	11,791	17,116
Others	26,078	49,070
Financial Services	49,559	96,573
Subtotal	411,368	504,347
Corporate items and Eliminations	3,815	3,443
Total	415,183	507,790

Depreciation consists of that of property, plant and equipment and investment properties.

Impairment Losses

Millions of yen

	2017	2016
Information & Telecommunication Systems	37,579	18,120
Social Infrastructure & Industrial Systems	10,083	12,092
Electronic Systems & Equipment	8,272	3,113
Construction Machinery	3,883	2,987
High Functional Materials & Components	2,732	2,599
Automotive Systems	691	64
Smart Life & Ecofriendly Systems	4,862	1,267
Others	854	4,442
Financial Services	-	97
Subtotal	68,956	44,781
Corporate items and Eliminations	(369)	-
Total	68,587	44,781

Impairment losses mainly consist of those recognized on property, plant and equipment, investment properties and intangible assets.

Share of Profit (Loss) of Investments Accounted for Using the Equity Method

Millions of yen

	2017	2016
Information & Telecommunication Systems	1,657	1,313
Social Infrastructure & Industrial Systems	(73,986)	(20,425)
Electronic Systems & Equipment	142	51
Construction Machinery	(311)	234
High Functional Materials & Components	4,703	3,651
Automotive Systems	562	759
Smart Life & Ecofriendly Systems	8,253	6,054
Others	292	400
Financial Services	995	1,776
Subtotal	(57,693)	(6,187)
Corporate items and Eliminations	10,507	6,343
Total	(47,186)	156

Share of profit (loss) of investments accounted for using the equity method include impairment losses on investments accounted for using the equity method.

Capital Expenditures

Millions of yen

	2017	2016
Information & Telecommunication Systems	80,568	97,757
Social Infrastructure & Industrial Systems	85,436	84,215
Electronic Systems & Equipment	29,606	28,324
Construction Machinery	17,312	27,903
High Functional Materials & Components	104,417	93,118
Automotive Systems	59,418	84,296
Smart Life & Ecofriendly Systems	7,186	18,767
Others	22,218	65,358
Financial Services	76,645	156,889
Subtotal	482,806	656,627
Corporate items and Eliminations	3,883	9,161
Total	486,689	665,788

Capital expenditures represent additions to property, plant and equipment, investment properties and intangible assets.

Geographic Information

The following table shows revenues attributed to geographic areas based on the location of the customers for the years ended March 31, 2017 and 2016.

Millions of yen

	2017	2016
Japan	4,757,685	5,231,530
Asia	1,860,716	2,112,334
North America	1,144,029	1,280,326
Europe	972,661	951,105
Other Areas	427,173	459,010
Overseas Revenues Subtotal	4,404,579	4,802,775
Total Revenues	9,162,264	10,034,305

Revenues in China for the years ended March 31, 2017 and 2016 were ¥928,983 million and ¥1,055,576 million, respectively. Revenues in the U.S.A. for the years ended March 31, 2017 and 2016 were ¥1,051,535 million and ¥1,168,164 million, respectively. Revenues from outside 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, 2017 and 2016.

The following table shows the balances of property, plant and equipment, investment properties and intangible assets for each geographic area as of March 31, 2017 and 2016.

Millions of yen

	March 31, 2017	March 31, 2016
Japan	1,627,391	2,099,182
Asia	365,774	435,969
North America	445,119	474,536
Europe	360,991	501,180
Other Areas	127,551	80,277
Subtotal	2,926,826	3,591,144
Corporate items and Eliminations	34,791	33,875
Total	2,961,617	3,625,019

The balances of property, plant and equipment, investment properties and intangible assets in the U.S.A. as of March 31, 2017 and 2016 were ¥431,364 million and ¥459,502 million, respectively. The balances of property, plant and equipment, investment properties and intangible assets in any individual country and region other than Japan and the U.S.A. were not material as of March 31, 2017 and 2016.

Significant Customer Information

There was no concentration of revenues from a specific customer for the years ended March 31, 2017 and 2016.

(5) Business Acquisitions and Divestitures

The following are the main business acquisitions and divestitures for the year ended March 31, 2017, including the period up to the approval date of the consolidated financial statements.

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

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

It is expected that upon the completion of the transaction, the Company's ownership ratio of shares of Hitachi Kokusai will decrease from 51.7% to 20.0% and Hitachi Kokusai will turn into an equity-method associate of the Company. The effects of this transaction on the Company’s consolidated financial statements are currently being evaluated.

(b) Acquisition of “Sullair” business

On April 25, 2017, the Company signed an agreement with Accudyne Industries Borrower, S.C.A. (Accudyne) to acquire Accudyne’s subsidiaries and certain related assets that manufacture and sell air compressors under the “Sullair” brand mainly in North America, in order to expand global business of industrial equipment business. The total consideration will be USD 1,245 million (¥139,676 million). The effects of this transaction on the Company’s consolidated financial statements are currently being evaluated.

(c) Sale of all shares of Hitachi Koki Co., Ltd. (Hitachi Koki)

On January 13, 2017, the Company and Hitachi Urban Investment, Ltd., a subsidiary of the Company, signed an agreement with HK Holdings Co., Ltd., all of whose issued shares are owned by investment funds controlled by Kohlberg Kravis Roberts & Co. L.P., regarding a tender offer made by HK Holdings Co., Ltd. The objective of the tender offer was to acquire common stock of Hitachi Koki, a subsidiary of the Company in the Electronic Systems & Equipment segment, and stock acquisition rights issued based on a resolution at the Hitachi Koki’s board of directors’ meeting held on July 28, 2015. The agreement provided that the Company and Hitachi Urban Investment, Ltd. would subscribe all shares of common stock of Hitachi Koki owned by the Company and Hitachi Urban Investment, Ltd. to the tender offer and in accordance with this agreement, the transfer of shares was completed on March 29, 2017.

As a result of this transfer of shares, the Company’s ownership ratio of shares of Hitachi Koki decreased from 51.2% to zero, and Hitachi Koki was deconsolidated. A gain on the sale of shares of Hitachi Koki in the amount of ¥28,097 million was recognized in Other income in the consolidated statement of profit or loss. Changes in non-controlling interests in the consolidated statement of changes in equity include derecognition of non-controlling interest in Hitachi Koki as a result of its deconsolidation.

(d) Acquisition of Bradken Limited (Bradken)

On October 3, 2016, Hitachi Construction Machinery Co., Ltd. (HCM), a subsidiary of the Company in the Construction Machinery segment, signed a bid implementation agreement with Bradken to implement a tender offer for all issued shares of common stock of Bradken, which conducts metal casting and operates manufacture and distribution services for metal casting products, in order to complement and bolster the parts service business in the mining business of HCM. The tender offer was executed from November 1, 2016 to April 7, 2017, and HCM had acquired the majority of the ownership ratio of voting rights in Bradken and Bradken became a consolidated subsidiary of HCM on March 20, 2017.

As a result of the tender offer, HCM acquired over 90% of the total number of issued shares of Bradken. Since HCM proceeded with a squeeze-out procedure to acquire the remaining shares of Bradken held by its minority shareholders aiming to make Bradken a wholly owned subsidiary, HCM accounted for the acquisition as if it had substantially acquired 100% of the shares of Bradken.

The following table summarizes the fair value of the consideration paid for Bradken and the provisional amounts of the assets acquired and liabilities assumed recognized as of the acquisition date.

	Millions of yen
Cash and cash equivalents	3,572
Trade receivables	7,950
Inventories	15,136
Other current assets	3,895
Property, plant and equipment	30,488
Intangible assets	
Goodwill (not deductible for tax purposes)	34,722
Other intangible assets	4,900
Other non-current assets	5,562
Total	106,225
Current liabilities	42,240
Non-current liabilities	5,371
Total	47,611
Consideration for acquisition	58,614

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.

The consideration, paid in cash, for the 68.62% ownership interest by March 31, 2017 was ¥40,336 million. Unpaid consideration of ¥18,278 million as of March 31, 2017 is recognized in Other current liabilities in the consolidated statement of financial position.

The Company is currently evaluating the fair values to be assigned to assets and liabilities of Bradken at the acquisition date, and therefore the above amounts are subject to change.

The results of operations of Bradken for the period from the acquisition date to March 31, 2017 were not material.

On a pro forma basis, revenues and net income attributable to Hitachi, Ltd. stockholders using an assumed acquisition date for Bradken of April 1, 2016 would not differ materially from the amounts reported in the consolidated financial statements for the year ended March 31, 2017.

(e) Sale of shares of Hitachi Capital

On May 13, 2016, the Company concluded an agreement regarding the transfer of common stock of Hitachi Capital, a subsidiary of the Company in the Financial Services segment, in order to strengthen finance functions and accelerate the concentration of management resources in the Social Innovation Business. In accordance with this agreement, a certain number of shares of Hitachi Capital common stock owned by the Company were transferred to Mitsubishi UFJ Financial Group, Inc. and Mitsubishi UFJ Lease & Financial Co., Ltd on October 3, 2016.

As a result of this transfer of shares, the Company's ownership ratio of shares of Hitachi Capital decreased from 60.6% to 33.4%, and Hitachi Capital ceased to be the Company's consolidated subsidiary and became its equity-method associate. The resulting loss on the sale of the shares of Hitachi Capital was not material. Changes in non-controlling interests in the consolidated statement of changes in equity include derecognition of non-controlling interest in Hitachi Capital as a result of its deconsolidation.

The following table shows the assets, liabilities and equity of Hitachi Capital as of March 31, 2016.

	Millions of yen
	March 31, 2016
Assets	
Current assets	
Cash and cash equivalents [1]	157,091
Trade receivables [1]	710,713
Lease receivables [1]	311,992
Inventories	3,701
Other current assets	73,316
Total current assets	1,256,813
Non-current assets	
Investments accounted for using the equity method	20,457
Investments in securities and other financial assets	675,964
Lease receivables	729,876
Property, plant and equipment	307,582
Intangible assets	62,656
Other non-current assets	38,139
Total non-current assets	1,834,674
Total assets	3,091,487
Liabilities	
Current liabilities	
Short-term debt [1]	497,695
Current portion of long-term debt [1]	485,611
Other financial liabilities	40,121
Trade payables [1]	228,989
Accrued expenses	15,581
Advances received	23,269
Other current liabilities	31,974
Total current liabilities	1,323,240
Non-current liabilities	
Long-term debt [1]	1,356,212
Other financial liabilities	28,717
Retirement and severance benefits	9,540
Other non-current liabilities	26,698
Total non-current liabilities	1,421,167
Total liabilities	2,744,407
Equity	
Hitachi, Ltd. stockholders' equity	201,349
Non-controlling interests	145,731
Total equity	347,080
Total liabilities and equity	3,091,487

[1] In the above table, the amounts corresponding to internal transactions are as follows:

Millions of yen

	March 31, 2016
Cash and cash equivalents (deposits to the Company)	118,701
Trade receivables	152,078
Lease receivables	59,569
Short-term debt	37,368
Current portion of long-term debt	17,367
Trade payables	30,036
Long-term debt	24,871

(f) Sale of shares of Hitachi Transport System, Ltd. (HTS)

On March 30, 2016, the Company concluded an agreement regarding the transfer of common stock of HTS, a subsidiary of the Company included in the Others in segment information, in order to expand the scope of the Social Innovation Business by enhancing logistics platforms. In accordance with this agreement, a certain number of shares of HTS common stock owned by the Company were transferred to SG Holdings Co., Ltd. on May 19, 2016.

As a result of this transfer of shares, the Company's ownership ratio of shares of HTS decreased from 59.0% to 30.0%, and HTS ceased to be the Company's consolidated subsidiary and became its equity-method associate. A gain on the sale of shares of HTS in the amount of ¥44,958 million was recognized in Other income in the consolidated statement of profit or loss. Changes in non-controlling interests in the consolidated statement of changes in equity include derecognition of non-controlling interest in HTS as a result of its deconsolidation.

The following are the main Business Acquisitions and Divestitures for the year ended March 31, 2016.

(a) Acquisition of divisions of signaling and railvehicle of Finmeccanica S.p.A. (FNM)

Hitachi Rail Italy S.p.A. (HRI) and Hitachi Rail Italy Investments S.r.L. (HRII), subsidiaries of the Company in the Social Infrastructure & Industrial Systems segment, signed binding agreements with FNM to acquire;

1) the current business of AnsaldoBreda S.p.A. (Breda), a manufacturer of rail vehicles for mass transit, with the exclusion of some revamping activities and certain residual contracts,
2) the entire interest owned by FNM in Ansaldo STS S.p.A. (STS), a company engaged in the design and implementation and management of systems for signaling and supervision of railways, equal to approximately 40% of the share capital,

in order to strengthen our manufacturing footprint and expand our customer base in the global railway business. On November 2, 2015 (the acquisition date), HRI and HRII closed the deal and acquired the business of Breda and the entire interest owned by FNM in STS in accordance with the binding agreements. The Company obtained control of STS, due to factors such as the acquisition of the share capital and the fact that the Company's recommended directors represent the majority of the board of directors elected at the shareholders' meeting held on the acquisition date, and therefore STS became a consolidated subsidiary of the Company effective on the same date.

The total consideration, paid in cash, for the business of Breda was EUR 30 million (¥4,041 million) and the total consideration, paid in cash, for the shares of STS was EUR 761 million (¥101,184 million). HRII acquired a part of the rest of STS shares, as a result, the ownership ratio of voting rights reached to 50.77% as of March 31, 2016.

The following table summarizes the fair value of the consideration paid for STS and the business of Breda, and the amounts of the assets acquired and liabilities assumed recognized as of the acquisition date.

	Millions of yen	
	STS	the business of Breda
Cash and cash equivalents	30,115	2,706
Trade receivables	131,343	61,315
Other current assets	37,424	33,496
Non-current assets (excluding intangible assets)	34,494	17,444
Intangible assets		
Goodwill (not deductible for tax purposes)	55,820	-
Other intangible assets	23,238	241
Total	312,434	115,202
Current liabilities	124,044	107,401
Non-current liabilities	20,606	3,760
Total	144,650	111,161
Cash paid for acquisition	101,184	4,041
Non-controlling interests	66,600	-
Total	167,784	4,041

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.
Non-controlling interests are measured by the appropriate share in the fair value of identifiable net assets of the STS.
HRI repaid EUR 111 million (¥14,754 million) of loans from FNM which were included in the business of Breda, in addition to the acquisition.

The results of operations of STS and the business of Breda for the period from the acquisition date to March 31, 2016 were not material.

On a pro forma basis, revenues and net income attributable to Hitachi, Ltd. stockholders using an assumed acquisition date for STS and the business of Breda of April 1, 2015 would not differ materially from the amounts reported in the consolidated financial statements for the year ended March 31, 2016.

(b) Acquisition of Pentaho Corporation (Pentaho)

On February 7, 2015, Hitachi Data Systems Corporation (HDS), a subsidiary of the Company in the Information & Telecommunications Systems segment, signed a definitive agreement with the shareholders of Pentaho to acquire all the shares of Pentaho, for enhancing big-data technologies and solutions. Pentaho integrates data, develops technologies for big-data analysis and visualization, and delivers solutions and supports. On May 29, 2015, HDS acquired all the shares of Pentaho in accordance with the definitive agreement, and HDS obtained control of Pentaho, and it became a wholly owned subsidiary.

The following table summarizes the fair value of the consideration paid for Pentaho, the assets acquired and liabilities assumed recognized as of the acquisition date.

	Millions of yen
Cash and cash equivalents	988
Trade receivables	807
Other current assets	182
Non-current assets (excluding intangible assets)	82
Intangible assets	
Goodwill (not deductible for tax purposes)	55,901
Other intangible assets	10,275
Total	68,235
Current liabilities	3,449
Non-current liabilities	9
Total	3,458
Cash paid for acquisition	64,777

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.

The results of operations of Pentaho for the period from the acquisition date to March 31, 2016 were not material.

On a pro forma basis, revenues and net income attributable to Hitachi, Ltd. stockholders using an assumed acquisition date for Pentaho of April 1, 2015 would not differ materially from the amounts reported in the consolidated financial statements for the year ended March 31, 2016.

(6) Trade Receivables

The components of trade receivables are as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Accounts receivable	2,295,199	2,836,953
Others	137,950	155,817
Total	2,433,149	2,992,770

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

(7) Construction Contracts

Total costs incurred and profits recognized, advances received and retentions for construction contracts in progress as of March 31, 2017 and 2016 are as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Total costs incurred and profits recognized	2,589,474	2,373,255
Advances received	195,847	178,191
Retentions	14,938	10,802

Gross amount due from and due to customers for contract work as of March 31, 2017 and 2016 are as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Gross amount due from customers for contract work	506,086	459,386
Gross amount due to customers for contract work	276,270	244,004

Revenues recognized from construction contracts for the years ended March 31, 2017 and 2016 were ¥1,096,376 million and ¥920,474 million, respectively.

(8) Leases

(a) Lessee

The Company and certain subsidiaries use leased facilities and equipment, including buildings, machinery and equipment and vehicles under finance leases or operating leases.

The following table shows the undiscounted amounts and present value of minimum lease payments under finance leases as of March 31, 2017 and 2016.

Millions of yen

	March 31, 2017		March 31, 2016	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within 1 year	16,447	15,198	12,792	12,011
After 1 year but not more than 5 years	34,241	31,496	31,039	29,516
More than 5 years	4,007	3,009	3,552	3,073
Total	54,695	49,703	47,383	44,600
Finance charges	(4,992)		(2,783)	
Present value of minimum lease payments, total	49,703		44,600	

The following table shows the future minimum lease payments under non-cancelable operating leases as of March 31, 2017 and 2016.

Millions of yen

	March 31, 2017	March 31, 2016
Within 1 year	21,391	40,056
After 1 year but not more than 5 years	59,307	99,787
More than 5 years	21,516	50,372
Total	102,214	190,215

Total operating lease expenses for the years ended March 31, 2017 and 2016 are as follows:

Millions of yen

	2017	2016
Operating lease expenses	121,135	150,243

(b) Lessor

The Company and certain subsidiaries lease certain assets such as manufacturing machinery and equipment under finance and operating lease arrangements.

The following table shows the undiscounted amounts and present value of minimum lease payments receivable under finance leases as of March 31, 2017 and 2016.

Millions of yen

	March 31, 2017		March 31, 2016	
	Gross investment in lease	Present value of minimum lease payments receivable	Gross investment in lease	Present value of minimum lease payments receivable
Within 1 year	45,620	42,788	363,815	334,311
After 1 year but not more than 5 years	41,579	39,327	677,698	621,855
More than 5 years	219	210	96,843	83,160
Total	87,418	82,325	1,138,356	1,039,326
Unearned income	(4,130)		(63,415)	
Net investment in the lease	83,288		1,074,941	
Unguaranteed residual value	(963)		(35,615)	
Present value of minimum lease payments receivable, total	82,325		1,039,326	

The amounts of the allowance for uncollectable minimum lease payments receivable as of March 31, 2017 and 2016 were ¥2,277 million and ¥8,698 million, respectively.

The following table shows the future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2017 and 2016.

Millions of yen

	March 31, 2017	March 31, 2016
Within 1 year	3,034	58,883
After 1 year but not more than 5 years	3,782	67,650
More than 5 years	15	2,043
Total	6,831	128,576

(9) Inventories

The components of inventories are as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Finished goods	512,539	587,431
Semi-finished goods and work in process	492,284	483,712
Raw materials	221,084	228,712
Total	1,225,907	1,299,855

For the years ended March 31, 2017 and 2016, the amounts of inventories expensed and included as cost of sales were ¥5,598,611 million and ¥5,775,548 million, respectively, and the write-downs of inventories were ¥27,444 million and ¥41,824 million, respectively.

(10) Investments Accounted for Using the Equity Method

The aggregated carrying amounts of investments accounted for using the equity method as of March 31, 2017 and 2016, and the Company and certain subsidiaries' share of total comprehensive income (loss) of equity-method associates and joint ventures for the years ended March 31, 2017 and 2016 are as follows:

Millions of yen

	Associates		Joint ventures	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Carrying amount of investments	664,857	641,246	26,394	35,714

Millions of yen

	Associates		Joint ventures	
	2017	2016	2017	2016
Net income (loss) from continuing operations	(8,193)	(3,377)	5,849	3,533
Other comprehensive income (loss)	(7,116)	(16,751)	6,395	(13,763)
Total comprehensive income (loss)	(15,309)	(20,128)	12,244	(10,230)

As of March 31, 2017 and 2016, 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 ¥104,176 million and ¥112,260 million, respectively, were recognized in other non-current liabilities.

In addition to the share of Net income (loss) from continuing operations of equity method associates and joint ventures, impairment losses on investments accounted for using the equity method were recognized in Share of profit (loss) of investments accounted for using the equity method. The amount of impairment losses recognized in the consolidated statement of profit or loss for the year ended March 31, 2017 was ¥44,842 million.
Share of profit (loss) of investments accounted for using the equity method in the year ended March 31, 2017 includes ¥66,477 million of losses related to the exit from the commercial development of a laser-based uranium enrichment technology by an associate in the U.S.A. in the Social Infrastructure & Industrial Systems segment. The losses include ¥39,659 million of impairment loss on the investment accounted for using the equity method. The recoverable amount was determined based on value in use, which was measured at ¥9,536 million as of March 31, 2017. In assessing value in use, future cash flows were discounted using a discount rate of 11.1% (before tax).

Of the associates and joint ventures accounted for using the equity method, Hitachi Capital is the only associate that is material to the Company's financial statements. Hitachi Capital provides a diverse range of leasing and financial services to the Company and other customers. Hitachi Capital's summarized financial information is as follows, and it includes fair value adjustments on assets and liabilities of Hitachi Capital.

	Millions of yen
	March 31, 2017
Total assets	3,177,606
Total liabilities	2,879,127
Equity	
Equity attributable to owners of the parent	285,142
Non-controlling interests	13,337

	Year ended March 31, 2017
Revenues	371,110
Income from continuing operations	42,549
Other comprehensive loss	(8,546)
Comprehensive income	34,003

Hitachi Capital became an equity-method associate of the Company during the year ended March 31, 2017, and the Company has received no dividends from Hitachi Capital as an equity-method associate.

Reconciliation of Equity attributable to owners of the parent in the above summarized financial information to the carrying amount of the investment in Hitachi Capital is as follows.

	Millions of yen
	March 31, 2017
Equity attributable to owners of the parent	285,142
Share (%)	33.4
Carrying amount of the Company's investment in Hitachi Capital	95,209

The fair value of the Company's investment in Hitachi Capital based on the market price of its shares as of March 31, 2017 was ¥105,074 million.

(11) 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	Other	Construction in progress	Total
Net carrying amount							
March 31, 2015	433,584	757,652	584,443	189,407	383,473	123,938	2,472,497
Additions	124	12,131	49,110	30,919	153,202	279,120	524,606
Transfers between accounts	4,422	68,489	112,453	49,590	3,133	(238,087)	-
Sales and disposals	(535)	(12,427)	(7,489)	(5,244)	(21,145)	(438)	(47,278)
Depreciation	-	(62,049)	(124,235)	(74,000)	(103,857)	-	(364,141)
Impairment losses	(1,972)	(11,615)	(7,445)	(1,931)	(253)	(1,646)	(24,862)
Acquisitions and divestitures	644	7,615	(22,675)	(1,620)	1,806	3,906	(10,324)
Currency translation effect	(8,651)	(17,442)	(23,217)	(7,475)	(12,123)	(13,566)	(82,474)
Other	(1,047)	6,302	(154)	13,794	22,445	(9,138)	32,202
March 31, 2016	426,569	748,656	560,791	193,440	426,681	144,089	2,500,226
Additions	601	5,793	25,544	24,455	72,839	245,446	374,678
Transfers between accounts	955	64,398	109,796	38,966	(1,021)	(213,094)	-
Sales and disposals	(4,055)	(7,677)	(4,614)	(7,201)	(14,447)	(4,758)	(42,752)
Depreciation	-	(53,951)	(113,101)	(71,104)	(62,294)	-	(300,450)
Impairment losses	(2,598)	(6,989)	(10,992)	(4,070)	(10)	(185)	(24,844)
Acquisitions and divestitures	(50,749)	(57,374)	(26,622)	(7,176)	(321,190)	(5,643)	(468,754)
Currency translation effect	(9,364)	(6,730)	(5,526)	(1,860)	(24,005)	(8,180)	(55,665)
Other	(1,029)	1,116	(1,754)	6,223	16,475	(5,059)	15,972
March 31, 2017	360,330	687,242	533,522	171,673	93,028	152,616	1,998,411

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.

Finance lease assets are included in Other in the table above, and their carrying amounts as of March 31, 2017 and 2016 were ¥ 28,032 million and ¥84,489 million, respectively.

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	Other	Construction in progress	Total
Gross carrying amount							
March 31, 2015	456,319	1,905,337	2,448,847	993,613	1,571,316	131,800	7,507,232
March 31, 2016	446,536	1,900,807	2,362,660	975,628	1,498,628	146,260	7,330,519
March 31, 2017	377,817	1,723,950	2,391,448	937,139	216,120	153,007	5,799,481
Accumulated depreciation and impairment losses							
March 31, 2015	(22,735)	(1,147,685)	(1,864,404)	(804,206)	(1,187,843)	(7,862)	(5,034,735)
March 31, 2016	(19,967)	(1,152,151)	(1,801,869)	(782,188)	(1,071,947)	(2,171)	(4,830,293)
March 31, 2017	(17,487)	(1,036,708)	(1,857,926)	(765,466)	(123,092)	(391)	(3,801,070)

Impairment Losses Recognized for the Year Ended March 31, 2017:

The Social Infrastructure & Industrial Systems segment recognized impairment losses of ¥8,097 million, of which ¥6,129 million was attributable to the lower than expected future revenue projected for its compressor business, mainly due to the downturn in the oil and gas market. The recoverable amount of the CGU was largely determined on the basis of fair value less costs of disposal, which was measured at ¥3,427 million as of March 31, 2017. A market approach was used in measuring the fair value of the relevant assets. These fair value measurements were based on real estate appraisal value, and thus classified as Level 3 of fair value hierarchy.

The Information & Telecommunications Systems segment recognized impairment losses of ¥5,685 million, mainly due to the lower than expected future revenue from the Telecommunications & Network Systems business as a result of changes in market trends.

The Smart Life & Ecofriendly Systems segment recognized impairment losses of ¥4,846 million, mainly due to the lower than expected future revenue because of severe competition in the home appliances market.

Impairment Losses Recognized for the Year Ended March 31, 2016:

The Social Infrastructure & Industrial Systems segment recognized impairment losses of ¥11,697 million, of which ¥7,485 million was attributable to the lower than expected future revenue projected for its power semiconductor business, due to change in market trends. The recoverable amount of the CGU was recorded at nominal value because the previously forecast future cash flows in the business plan are no longer expected.

The Information & Telecommunication Systems segment recognized impairment losses of ¥3,275 million, due to idle assets of buildings and structures and machinery.

The Construction Machinery segment recognized impairment losses of ¥2,854 million, due to the lower than expected future revenue projected in its construction machinery market because of severe competition in the construction market.

(12) Intangible Assets

The following table shows the changes in the net carrying amounts of goodwill and other intangible assets.

Millions of yen

	Goodwill	Software for internal use	Software for sale	Intangible lease assets	Other	Total
Net carrying amount						
March 31, 2015	438,131	136,534	50,322	44,824	263,771	933,582
Internal developments	-	3,186	2,924	-	75,580	81,690
Purchases	-	12,261	252	20,706	22,328	55,547
Transfers between accounts	-	44,371	38,757	-	(83,128)	-
Amortization	-	(53,052)	(38,787)	(17,244)	(32,160)	(141,243)
Impairment losses	(14,525)	(2,223)	(424)	-	(2,743)	(19,915)
Disposals	-	(3,183)	(192)	(1,343)	(1,212)	(5,930)
Acquisitions and divestitures	137,274	(611)	184	-	52,130	188,977
Currency translation effect	(32,315)	(985)	195	-	(8,522)	(41,627)
Other	-	140	3,982	1,509	13,691	19,322
March 31, 2016	528,565	136,438	57,213	48,452	299,735	1,070,403
Internal developments	-	1,541	2,123	-	64,176	67,840
Purchases	-	10,026	849	8,045	21,727	40,647
Transfers between accounts	-	30,914	33,564	-	(64,478)	-
Amortization	-	(49,616)	(28,005)	(9,097)	(25,708)	(112,426)
Impairment losses	(3,062)	(1,285)	(19,182)	-	(12,115)	(35,644)
Disposals	-	(2,934)	(432)	(539)	(3,091)	(6,996)
Acquisitions and divestitures	14,473	(9,622)	(2,150)	(45,974)	(40,774)	(84,047)
Currency translation effect	(12,729)	(218)	(370)	(1)	(8,227)	(21,545)
Other	-	(376)	1,595	487	(737)	969
March 31, 2017	527,247	114,868	45,205	1,373	230,508	919,201

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.

The following table shows the gross carrying amount and accumulated amortization and impairment losses of goodwill and other intangible assets.

Millions of yen

	Goodwill	Software for internal use	Software for sale	Intangible lease assets	Other	Total
Gross carrying amount						
March 31, 2015	441,266	627,149	502,194	264,399	471,580	2,306,588
March 31, 2016	534,533	648,278	540,503	253,706	528,139	2,505,159
March 31, 2017	536,277	593,412	552,868	2,807	485,123	2,170,487
Accumulated amortization and impairment losses						
March 31, 2015	(3,135)	(490,615)	(451,872)	(219,575)	(207,809)	(1,373,006)
March 31, 2016	(5,968)	(511,840)	(483,290)	(205,254)	(228,404)	(1,434,756)
March 31, 2017	(9,030)	(478,544)	(507,663)	(1,434)	(254,615)	(1,251,286)

The Company writes off goodwill if it has been fully impaired.

Impairment Losses Recognized for the Year Ended March 31, 2017:
The Information & Telecommunication Systems segment recognized impairment losses of ¥29,068 million, mainly due to the lower than expected future revenue on software for sale and other intangible assets as a result of changes in market trends.

The Electronic Systems & Equipment segment recognized impairment losses of ¥6,098 million, mainly due to the lower than expected future revenue on software for sale because of severe competition in the Medical Information Systems business.

Impairment Losses Recognized for the Year Ended March 31, 2016:
The Information & Telecommunication Systems segment recognized impairment losses of ¥14,845 million, of which ¥13,235 million was attributable to a partial withdrawal from the consulting business in North America and Europe. The amount of goodwill and other intangible assets related to the business withdrawn was fully written down.

The carrying amounts of intangible assets with indefinite useful lives as of March 31, 2017 and 2016 amounted to ¥9,932 million and ¥10,849 million, respectively. The main components of such assets are acquired brands and trademarks. They are assessed to have indefinite useful lives because there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the entity.

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 intangible assets (at cost less accumulated amortization and impairment losses) as of March 31, 2017 and 2016 amounted to ¥174,840 million and ¥196,791 million, 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, 2017 and 2016 were ¥323,963 million and ¥333,730 million, respectively, and they are included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss.

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 group of CGUs with a significant proportion of goodwill allocated as of March 31, 2017 was the Information & Communication Technology Business Division, and as of March 31, 2016 was the Information & Telecommunication Systems segment. Effective from April 1, 2016, the Company changed its business structure in order to strengthen front-line functions. Due to this transition, the Company reclassified the group of CGUs of the Information & Telecommunication Systems segment, and the group of CGUs with a significant proportion of goodwill allocated as of March 31, 2017 was changed to the Information & Communication Technology Business Division, which belongs to the Information & Telecommunication Systems segment.

The carrying amounts of goodwill allocated to the Information & Communication Technology Business Division as of March 31, 2017 and to the Information & Telecommunication Systems segment as of March 31, 2016 were ¥191,251 million and ¥207,293 million, respectively.
The recoverable amount used for the impairment test of goodwill of the Information & Communication Technology Business Division for the year ended March 31, 2017 was calculated based on the value in use. The value in use was calculated by the estimated future cash flows based on the business plans approved by the management, discounted at the discount rate which was derived from the weighted average cost of capital. The business plan reflected past experience based on external information. For the year ended March 31, 2017, cash flows were projected over three years, the discount rates used was 7.61% (before tax), and the growth rate used was 1.0%.

The recoverable amount used for the impairment test of goodwill of the Information & Telecommunication Systems segment for the year ended March 31, 2016 was the fair value less cost of disposal. The fair value was estimated by a combination of prices of similar businesses, present value calculations and other inputs. Judgments and assumptions required for future plans of relevant businesses were based on certain assumptions deemed reasonable at the time of estimate. For the year ended March 31, 2016, cash flows were projected over five years, the discount rate used was 5.72%, and the growth rate used was 1.0%. The fair value measurement was classified as Level 3 of the fair value hierarchy based on the inputs used.

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 primary assumptions used for the impairment test changed within a reasonable range.

(13) 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

	2017	2016
Income taxes		
Current tax expense	178,405	156,177
Deferred tax expense		
Temporary differences originated and reversed	(19,401)	78,149
Changes in realizability of deferred tax assets	(34,343)	(80,005)
Adjustments to deferred tax assets and liabilities for enacted changes in tax laws and tax rates in Japan	451	10,885
Total	125,112	165,206
Deferred taxes recognized in OCI		
Net changes in financial assets measured at fair value through OCI	30,685	(25,602)
Remeasurements of defined benefit plans	1,960	(15,771)
Net changes in cash flow hedges	6,553	(4,168)
Foreign currency translation adjustments	(364)	433
Total	38,834	(45,108)

The Company and its domestic Japanese subsidiaries were subject to a national corporate tax, an inhabitant tax and business tax, for the years ended March 31, 2017 and 2016, which in the aggregate resulted in combined statutory income tax rates of approximately 30.8% and 33.0%, respectively.

The Company and certain subsidiaries file consolidated income tax returns in certain jurisdictions.

On November 18, 2016, amendments to corporation tax law were enacted in Japan, resulting in reclassifying the combined statutory income tax rate without changing the total tax rate. The effect of those changes on the Company’s deferred tax balances amounted to ¥451 million of additional expenses and is included in Income taxes.

On March 29, 2016, amendments to corporation tax law were enacted in Japan, resulting in lower corporate tax rates. Those changes became effective on April 1, 2016. As a result, the aggregate statutory income tax rate for domestic companies will be approximately 30.8% for the years beginning on or after April 1, 2016 and 30.5% for the years beginning on or after April 1, 2018. The effect of those changes on the Company’s deferred tax balances amounted to ¥10,885 million of additional expenses and is included in Income taxes.

Reconciliations between the combined statutory income tax rate and the effective income tax rate are as follows:

	2017	2016
Combined statutory income tax rate	30.8%	33.0%
Share of profits of investments accounted for using the equity method	3.1	0.0
Change in excess amounts over the tax basis of investments in subsidiaries and investments accounted for using the equity method	(9.5)	9.8
Gain or loss on sale of investments in subsidiaries and investments accounted for using the equity method	10.3	2.2
Expenses not deductible for tax purposes	1.2	2.3
Enacted changes in tax laws and rates	0.1	2.1
Impairment of goodwill	0.2	0.9
Change in realizability of deferred tax assets	(7.3)	(15.5)
Difference in statutory tax rates of foreign subsidiaries	(2.3)	(3.2)
Other, net	0.1	0.4
Effective income tax rate	26.7%	32.0%

Changes in deferred tax assets and liabilities are as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Deferred tax assets, net at beginning of year	112,446	85,208
Recognized in profit or loss	53,293	(9,029)
Recognized in OCI	(38,834)	45,108
Acquisitions, divestitures and others	(13,280)	(9,241)
Discontinued operations	1,186	400
Deferred tax assets, net at end of year	114,811	112,446

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, 2017	March 31, 2016	2017	2016
Deferred tax assets				
Retirement and severance benefits	67,719	108,322	(7,545)	13,349
Accrued expenses	105,384	71,190	34,323	(14,067)
Depreciation of property, plant and equipment	12,605	24,982	2,472	(1,685)
Net operating loss carryforwards	12,260	22,747	(9,925)	45
Net intercompany profits on inventories, P.P.E. and others	27,245	30,913	(145)	(1,988)
Deferred revenues	26,828	25,589	1,168	1,270
Other	57,886	138,346	(32,994)	14,748
Total deferred tax assets	309,927	422,089	(12,646)	11,672
Deferred tax liabilities				
Deferred profit on sale of properties	(4,457)	(14,071)	(1,618)	(2,982)
Investments in securities	(83,680)	(89,142)	31,425	(36,780)
Tax purpose reserves regulated by Japanese tax laws	(30,367)	(51,355)	13,680	341
Intangible assets	(42,028)	(61,226)	8,871	7,907
Other	(34,584)	(93,849)	13,581	10,813
Total deferred tax liabilities	(195,116)	(309,643)	65,939	(20,701)
Net deferred tax assets	114,811	112,446	53,293	(9,029)

Net deferred tax assets are included in the following accounts in the consolidated statement of financial position.

Millions of yen

	March 31, 2017	March 31, 2016
Other non-current assets	171,612	222,369
Other non-current liabilities	(56,801)	(109,923)
Total	114,811	112,446

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 ¥638,458 million and ¥710,921 million, respectively, as of March 31, 2017 and 2016.

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 believes it is more likely than not it will realize the benefits of these deductible differences as of March 31, 2017.

Deductible temporary differences and net operating loss carryforwards for unrecognized deferred tax assets are as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Deductible temporary differences	1,294,211	1,301,576
Net operating loss carryforwards	522,881	592,352
Total	1,817,092	1,893,928

Net operating loss carryforwards for unrecognized deferred tax assets will expire as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Within 5 years	283,452	286,736
After 5 years but not more than 10 years	90,726	146,712
More than 10 years	148,703	158,904
Total	522,881	592,352

(14) Trade Payables

The components of trade payables are as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Accounts payable	1,220,236	1,365,736
Others	181,997	86,182
Total	1,402,233	1,451,918

Others include electronically recorded monetary claims and notes payable.

(15) Provisions

Changes in the balance and components of provisions for the year ended March 31, 2017 are as follows:

Millions of yen

	Asset retirement obligations	Provisions related to restructuring (structural reform)	Product warranty provisions	Other provisions
March 31, 2016	25,085	1,431	36,094	210,154
Additions	3,583	24,665	18,307	13,258
Utilized	(2,308)	(17,301)	(18,581)	(57,699)
Acquisitions and divestitures	(8,418)	974	1,924	589
Currency translation effects, and others	112	90	(1,164)	6,305
March 31, 2017	18,054	9,859	36,580	172,607
Current	228	4,072	24,252	166,561
Non-current	17,826	5,787	12,328	6,046

Other provisions include provisions made for expenses including competition law and others. As information required by IAS 37 could adversely affect the outcome of litigations and other disputes, the details of these provisions are not disclosed.

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) 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.

(16) 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 Corporate 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.

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.

Changes in the present value of defined benefit obligations and the fair value of plan assets for the years ended March 31, 2017 and 2016 are as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Defined benefit obligations		
At beginning of year	2,416,920	2,384,173
Service cost	81,431	84,206
Interest cost	12,468	21,993
Plan amendments	153	(163)
Actuarial losses	5,781	117,413
Benefits paid	(117,606)	(131,296)
Acquisitions and divestitures	(113,180)	(14,518)
Transfer to defined contribution pension plan	(1,268)	(25,703)
Settlements/curtailments	(19,913)	(1,244)
Currency translation effect	(16,862)	(17,941)
At end of year	2,247,924	2,416,920
Fair value of plan assets		
At beginning of year	1,662,642	1,703,201
Interest income	9,607	18,280
Return on plan assets (excluding interest income)	52,991	(38,290)
Employers' contributions	103,289	110,287
Employees' contributions	249	227
Benefits paid	(88,338)	(96,523)
Acquisitions and divestitures	(70,695)	(17,589)
Transfer to defined contribution pension plan	-	(4,431)
Settlements/curtailments	(18,852)	(1,272)
Currency translation effect	(7,255)	(11,248)
At end of year	1,643,638	1,662,642
Effect of asset ceiling	5,815	6,651
Net liability amount recognized in the consolidated statement of financial position	610,101	760,929

The components of actuarial gain or loss are as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Arising from changes in financial assumptions	10,253	(107,660)
Arising from changes in demographic assumptions	(8,752)	792
Other	(7,282)	(10,545)

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, 2017	March 31, 2016
Discount rate	0.6	0.6

If, at March 31, 2017, the discount rate rose by 0.5%, the defined benefit obligations would decrease by ¥136,366 million, and if the discount rate decreased by 0.5%, the defined benefit obligations would increase by ¥148,154 million.

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. It is currently approximately 20% in equity, 50% in public and corporate bonds, and 30% in hedge funds, securitization products, life insurance general accounts and other 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.

The fair values of plan assets invested as of March 31, 2017 and 2016 are as follows:

Millions of yen

	March 31, 2017		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity	26,892	730	27,622
Government bonds and municipal debt securities	121,797	16,090	137,887
Corporate bonds and other debt securities	-	35,636	35,636
Hedge funds	-	43,623	43,623
Securitization products	-	60,852	60,852
Cash and cash equivalents	37,028	247	37,275
Life insurance general accounts	-	145,118	145,118
Commingled funds	-	1,127,172	1,127,172
Other	5,079	23,374	28,453
Total	190,796	1,452,842	1,643,638

Millions of yen

	March 31, 2016		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity	29,155	187	29,342
Government bonds and municipal debt securities	157,718	32,176	189,894
Corporate bonds and other debt securities	-	71,245	71,245
Hedge funds	-	41,313	41,313
Securitization products	-	58,076	58,076
Cash and cash equivalents	46,012	156	46,168
Life insurance general accounts	-	151,793	151,793
Commingled funds	-	1,041,190	1,041,190
Other	7,435	26,186	33,621
Total	240,320	1,422,322	1,662,642

As of March 31, 2017 and 2016, investments in equity were allocated to approximately 30% in stocks listed in Japan and 70% in stocks listed in foreign markets.

As of March 31, 2017, Japanese government bonds made up approximately 70% of the government bonds and municipal debt securities, the majority of which were Japanese national bonds. As of March 31, 2016, Japanese government bonds made up approximately 60% of the government bonds and municipal debt securities, the majority of which were Japanese national bonds. Foreign public bonds, as of March 31, 2017, took approximately 30%, the majority of which were foreign national bonds, and as of March 31, 2016, foreign public bonds took approximately 40%, the majority of which were foreign national bonds.

As of March 31, 2017, investments in corporate bonds and other debt securities were allocated to approximately 5% in Japanese corporate bonds and debt instruments, and 95% in foreign corporate bonds and debt instruments. As of March 31, 2016, investments in corporate bonds and other debt securities were allocated to nearly 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).

Commingled funds represent pooled institutional investments. As of March 31, 2017, commingled funds were allocated to 30% in listed stocks, 45% in government bonds, 5% in corporate bonds and other debt securities, 10% in cash and cash equivalents and 10% in other assets. As of March 31, 2016, they were allocated to 30% in listed stocks, 50% in government bonds, 5% in corporate bonds and other debt securities, 10% in cash and cash equivalents and 5% in other assets.

Funding by the Fund is conducted by taking into account various factors such as funded status, the limit of tax deductions, 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, 2018 is ¥92,920 million.

The weighted average durations (expected average maturity) of defined benefit obligations as of March 31, 2017 and 2016 were 12.7 years and 13.1 years, respectively.

Contributions made to defined contribution plans and expensed in profit or loss in the years ended March 31, 2017 and 2016 were ¥29,033 million and ¥29,243 million, respectively.

(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, 2017 and 2016 were ¥2,363,880 million and ¥2,604,950 million, respectively.

(17) Equity

(a) Common Stock

Number of shares

	March 31, 2017	March 31, 2016
Total number of authorized shares	10,000,000,000	10,000,000,000

	Issued shares outstanding (Number of shares)	Capital amount (Millions of yen)
March 31, 2015	4,833,463,387	458,790
March 31, 2016	4,833,463,387	458,790
March 31, 2017	4,833,463,387	458,790

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, 2017 and 2016 are as follows:

	Treasury stock	
	(Number of shares)	(Millions of yen)
March 31, 2015	4,886,838	3,542
Acquisition of treasury stock	402,996	295
Sales of treasury stock	(41,905)	(31)
March 31, 2016	5,247,929	3,806
Acquisition of treasury stock	271,523	153
Sales of treasury stock	(58,880)	(43)
March 31, 2017	5,460,572	3,916

The number of shares of the Company held by the Company's associates as of March 31, 2017 and 2016 were 167,000 shares, respectively.

(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. For the year ended March 31, 2017, the changes in capital surplus were due mainly to the granting of a written put option on FIAMM Energy Technology S.p.A. (FET) stock to the owner of the non-controlling interests of FET in acquiring FET by Hitachi Chemical Company, Ltd. and for the year ended March 31, 2016, the changes in capital surplus were due mainly to an additional purchase of Ansaldo STS S.p.A. by Hitachi Rail Italy Investments S.r.L.

(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.

(18) 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, 2017 and 2016 are as follows:

Millions of yen

	2017	2016
Foreign currency translation adjustments		
Balance at beginning of year	118,635	253,474
OCI, net of reclassification	(39,526)	(135,099)
Net transfer of non-controlling interests	(122)	260
Balance at end of year	78,987	118,635
Remeasurements of defined benefit plans		
Balance at beginning of year	(42,337)	86,136
OCI	36,815	(127,743)
Net transfer of non-controlling interests	-	(56)
Reclassified into retained earnings	4,675	(674)
Balance at end of year	(847)	(42,337)
Net changes in financial assets measured at FVTOCI		
Balance at beginning of year	147,852	213,415
OCI	59,422	(48,205)
Net transfer of non-controlling interests	(3)	(2)
Reclassified into retained earnings	(15,161)	(17,356)
Balance at end of year	192,110	147,852
Net changes in cash flow hedges		
Balance at beginning of year	(140,607)	(151,925)
OCI, net of reclassification	11,425	11,335
Net transfer of non-controlling interests	-	(17)
Balance at end of year	(129,182)	(140,607)
Total AOCI		
Balance at beginning of year	83,543	401,100
OCI, net of reclassification	68,136	(299,712)
Net transfer of non-controlling interests	(125)	185
Reclassified into retained earnings	(10,486)	(18,030)
Balance at end of year	141,068	83,543

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, 2017 and 2016.

Millions of yen

	2017		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Foreign currency translation adjustments	(78,898)	340	(78,558)
Remeasurements of defined benefit plans	48,046	(1,960)	46,086
Net changes in financial assets measured at FVTOCI	90,619	(30,685)	59,934
Net changes in cash flow hedges	1,700	488	2,188
Share of OCI of investments accounted for using the equity method	(2,835)	401	(2,434)
Total	58,632	(31,416)	27,216
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	13,773	24	13,797
Net changes in cash flow hedges	26,156	(7,041)	19,115
Share of OCI of investments accounted for using the equity method	1,713	-	1,713
Total	41,642	(7,017)	34,625
OCI, net of reclassification adjustments:			
Foreign currency translation adjustments	(65,125)	364	(64,761)
Remeasurements of defined benefit plans	48,046	(1,960)	46,086
Net changes in financial assets measured at FVTOCI	90,619	(30,685)	59,934
Net changes in cash flow hedges	27,856	(6,553)	21,303
Share of OCI of investments accounted for using the equity method	(1,122)	401	(721)
Total	100,274	(38,433)	61,841
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Foreign currency translation adjustments			(14,950)
Remeasurements of defined benefit plans			7,100
Net changes in financial assets measured at FVTOCI			796
Net changes in cash flow hedges			759
Total			(6,295)
OCI, net of reclassification adjustments, attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			(49,811)
Remeasurements of defined benefit plans			38,986
Net changes in financial assets measured at FVTOCI			59,138
Net changes in cash flow hedges			20,544
Share of OCI of investments accounted for using the equity method			(721)
Total			68,136

Millions of yen

	2016		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Foreign currency translation adjustments	(183,133)	(433)	(183,566)
Remeasurements of defined benefit plans	(156,615)	15,771	(140,844)
Net changes in financial assets measured at FVTOCI	(75,925)	25,602	(50,323)
Net changes in cash flow hedges	36,535	2,543	39,078
Share of OCI of investments accounted for using the equity method	(30,369)	5,999	(24,370)
Total	(409,507)	49,482	(360,025)
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	(6,533)	-	(6,533)
Net changes in cash flow hedges	(7,918)	1,625	(6,293)
Share of OCI of investments accounted for using the equity method	(6,144)	-	(6,144)
Total	(20,595)	1,625	(18,970)
OCI, net of reclassification adjustments:			
Foreign currency translation adjustments	(189,666)	(433)	(190,099)
Remeasurements of defined benefit plans	(156,615)	15,771	(140,844)
Net changes in financial assets measured at FVTOCI	(75,925)	25,602	(50,323)
Net changes in cash flow hedges	28,617	4,168	32,785
Share of OCI of investments accounted for using the equity method	(36,513)	5,999	(30,514)
Total	(430,102)	51,107	(378,995)
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Foreign currency translation adjustments			(60,388)
Remeasurements of defined benefit plans			(16,259)
Net changes in financial assets measured at FVTOCI			(3,235)
Net changes in cash flow hedges			599
Total			(79,283)
OCI, net of reclassification adjustments, attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			(129,711)
Remeasurements of defined benefit plans			(124,585)
Net changes in financial assets measured at FVTOCI			(47,088)
Net changes in cash flow hedges			32,186
Share of OCI of investments accounted for using the equity method			(30,514)
Total			(299,712)

(19) Dividends

Dividends paid on common stock for the years ended March 31, 2017 and 2016 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 28, 2016	28,968	Retained earnings	6.0	September 30, 2016	November 28, 2016
The Board of Directors on May 13, 2016	28,969	Retained earnings	6.0	March 31, 2016	May 30, 2016
The Board of Directors on October 28, 2015	28,970	Retained earnings	6.0	September 30, 2015	November 26, 2015
The Board of Directors on May 14, 2015	28,971	Retained earnings	6.0	March 31, 2015	June 1, 2015

The dividend on common stock whose record date falls in the year ended March 31, 2017 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 12, 2017	33,796	Retained earnings	7.0	March 31, 2017	May 29, 2017

(20) Stock-based Compensation

The Company introduced a stock option plan as stock-based compensation. 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 (stock acquisition rights).

Details of the Company's stock option plan for the year ended March 31, 2017 are as follows.

Fiscal Year of Issueance and Name	Grant Date	Exercise period
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

(1) 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 (2) or (3) below in a lump sum 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.

(2) The number of stock acquisition rights that a holder of stock acquisition rights may exercise, shall be determined based on the ratio of (i) the total shareholder return (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 (Waiting Period) to (ii) the growth rate of TOPIX (Tokyo Stock Price Index) for the same period (TSR/TOPIX Growth Rate Ratio).

(3) 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 (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 (2) above.

The amount of stock-based compensation expenses recognized for the year ended March 31, 2017 was ¥401 million.

Summary of stock option activity for the year ended March 31, 2017 is as follows. The number of stock options is translated into their equivalent number of shares (100 shares per stock option).

	2017	
	Number of shares (shares)	Weighted average exercise price (yen)
Outstanding at beginning of year	-	-
Granted	2,421,900	1
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at end of year	2,421,900	1
Exercisable at end of year	-	-

The range of exercise prices and the weighted average remaining contractual life of stock options outstanding as of March 31, 2017 were ¥1 and 29.3 years, respectively.

The weighted average fair value (per share) at the measurement date of stock options issued under the Company's stock option plan for the year ended March 31, 2017 was ¥268.0.

Fair value of stock options is estimated using Monte Carlo simulation based on the following assumptions.

	March 31, 2017
Exercise price	1 yen
Expected life (a)	3.3 years
Stock price at the measurement date (b)	449.3 yen
Expected volatility (c)	33.444%
Expected dividends (d)	12 yen
Risk-free rate (e)	(0.355%)
Average value of the normal distribution of TSR/TOPIX Growth Rate Ratio (f)	105.6%
Standard deviation of the normal distribution of TSR/TOPIX Growth Rate Ratio (f)	38.1%

(a) Based on the expected term of office of each grantee.
(b) Based on the closing prices of the Company's stocks on the Tokyo Stock Exchange at the measurement date.
(c) Based on historical volatility of weekly stock price fluctuations during a directly preceding period that is equal to the expected life of the stock options.
(d) Based on actual annual dividends in the fiscal year preceding that of the measurement date.
(e) Calculated based on the yield of a Japanese government bond with a term to maturity that is equal to the expected life of the stock options.
(f) Calculated based on historical data in fiscal years preceding that of the measurement date.

(21) Other Income and Expenses

The main components of other income and expenses for the years ended March 31, 2017 and 2016 are as follows:

Millions of yen

	2017	2016
Net gain (loss) on sales and disposals of fixed assets	15,094	(4,475)
Impairment losses	(68,587)	(44,781)
Net gain on business reorganization and others	81,369	55,235
Special termination benefits	(24,665)	(45,531)
Expenses related to competition law and others	(6,730)	(22,327)

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

Restructuring charges (structural reform expenses) included in other expenses for the years ended March 31, 2017 and 2016 were ¥96,289 million and ¥90,312 million, respectively. Restructuring charges (structural reform expenses) mainly include impairment losses and special termination benefits.

(22) Financial Income and Expenses

The main components of financial income and expenses for the years ended March 31, 2017 and 2016 are as follows:

Millions of yen

	2017	2016
Dividends received	6,919	7,386
Exchange loss	(25,238)	(26,579)

Dividends received for the years ended March 31, 2017 and 2016 are from FVTOCI financial assets.

(23) Discontinued Operations

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

Profit or loss and cash flows from the discontinued operations for the years ended March 31, 2017 and 2016 are as follows:

Millions of yen

	2017	2016
Profit or loss from discontinued operations		
Revenues	1,358	9,002
Cost of sales and expenses	(8,381)	(66,477)
Loss from discontinued operations, before income taxes	(7,023)	(57,475)
Income taxes	1,073	394
Loss from discontinued operations	(5,950)	(57,081)

Millions of yen

	2017	2016
Cash flows from discontinued operations		
Cash flows from operating activities	(9,097)	(9,221)
Cash flows from investing activities	-	16
Cash flows from financing activities	8,294	9,611

(24) Earnings Per Share (EPS) Information

The computations of net income attributable to Hitachi, Ltd. stockholders used to derive basic and diluted EPS are as follows:

Number of shares

	2017	2016
Weighted average number of shares on which basic EPS is calculated	4,828,127,659	4,828,366,279
Effect of dilutive securities		
Stock options	1,530,325	-
Number of shares on which diluted EPS is calculated	4,829,657,984	4,828,366,279

Millions of yen

	2017	2016
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	237,211	229,236
Effect of dilutive securities		
Other	(0)	(185)
Diluted	237,211	229,051
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(5,950)	(57,081)
Effect of dilutive securities		
Other	-	-
Diluted	(5,950)	(57,081)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	231,261	172,155
Effect of dilutive securities		
Other	(0)	(185)
Diluted	231,261	171,970

Yen

	2017	2016
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	49.13	47.48
Diluted	49.12	47.44
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(1.23)	(11.82)
Diluted	(1.23)	(11.82)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	47.90	35.65
Diluted	47.88	35.62

(25) Supplementary Cash Flow Information

Non-cash investing and financing activities for the years ended March 31, 2017 and 2016 are as follows:

Millions of yen

	2017	2016
Finance lease assets acquired and obligations incurred	4,464	5,890

(26) 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. The target is set in the mid-term management plan and is regularly monitored. The total Hitachi, Ltd. stockholders' equity ratio as of March 31, 2017 and 2016 were 30.7% and 21.8%, 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 net 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 underling 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 from continuing operations, 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, 2017 and 2016, while all other variables are held constant.

Millions of yen

	Currency	2017	2016
Impact on income from continuing operations, before income taxes	US Dollar	515	544
	Euro	194	426

(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 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 associated with medium-term notes (MTN) 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. Under the interest rate swaps, certain financing subsidiaries receive fixed interest rate payments associated with long-term debt, including MTN, and make variable interest rate payments, thereby creating variable-rate long-term debt. 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 from continuing operations, 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, FVTPL financial assets and liabilities and derivatives) held by the Company and its subsidiaries as of March 31, 2017 and 2016, while all other variables are held constant.

Millions of yen

	2017	2016
Impact on income from continuing operations, before income taxes	(1,082)	(8,322)

(iii) Credit Risk

Trade receivables, lease receivables 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.

The maximum exposure to the credit risk equals the financial assets' carrying amount after impairment in the consolidated statement of financial position, if collateral held is not included. The maximum exposure to the credit risk from guarantee obligations is disclosed in note 30.

The Company considers that trade receivables, lease receivables and other receivables neither past due nor impaired as of the end of each fiscal year are all collectible.

The following table presents the aging of trade receivables, lease receivables and other receivables past due but not impaired as of March 31, 2017 and 2016.

Millions of yen

	March 31, 2017	March 31, 2016
Past due within 30 days	39,856	63,001
Past due between 31 and 90 days	33,616	42,946
Past due between 91 days and 1 year	29,859	36,738
Past due over 1 year	33,057	31,092
Total	136,388	173,777

When trade receivables, lease receivables and other receivables are impaired, the Company reduces the receivable balance through the use of an allowance account, instead of directly reducing the carrying amount. The changes in the balance of allowance for doubtful receivables are as follows:

Millions of yen

	Trade receivables	Lease receivables	Other financial assets measured at amortized cost	Total
March 31, 2015	35,213	13,140	2,256	50,609
Impairment loss provision or reversals	12,746	690	(293)	13,143
Amounts written off	(7,503)	(5,124)	(74)	(12,701)
Other	513	(8)	(307)	198
March 31, 2016	40,969	8,698	1,582	51,249
Impairment loss provision or reversals	401	(110)	(321)	(30)
Amounts written off	(2,629)	(938)	(23)	(3,590)
Other	(9,518)	(5,373)	(49)	(14,940)
March 31, 2017	29,223	2,277	1,189	32,689

Other includes the impact from business acquisitions and divestitures and currency translation effect. Decreases of ¥8,843 million out of ¥9,518 million in trade receivables and ¥5,373 million in lease receivables during the fiscal year ended March 31, 2017 were attributable to changes in the scope of consolidation including Hitachi Capital Corporation.

As of March 31, 2017 and 2016, the total balances of trade receivables, lease receivables and other receivables individually determined to be impaired were ¥75,210 million and ¥95,932 million, respectively, and the allowance for doubtful receivables corresponding to such receivables was recorded in the amounts of ¥23,697 million and ¥33,565 million, respectively.

(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, 2017 are disclosed in note 30.

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, 2017				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Short-term debt	196,357	197,828	197,828	-	-
Long-term debt					
Lease payables	49,703	54,695	16,447	34,241	4,007
Bonds	159,820	166,474	41,158	72,910	52,406
Long-term debt	770,723	792,830	146,060	424,487	222,283

Millions of yen

	March 31, 2016				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Short-term debt	871,417	873,553	873,553	-	-
Long-term debt					
Lease payables	44,600	47,383	12,792	31,039	3,552
Bonds	742,941	765,680	148,726	425,914	191,040
Long-term debt	1,945,497	1,988,640	519,810	1,216,069	252,761

The weighted average interest rate for short-term debt is 1.5%, and the weighted average interest rate for long-term debt is 1.0% with maturities ranging from 2017 to 2031.

The details on each bond issued are provided below.

Millions of yen

Issuer	Name of bond	Issued	March 31, 2017	March 31, 2016	Security	Interest rates (%)	Mature in
The Company	Unsecured debenture #15	2013	10,000	10,000	Unsecured	0.3	2018
The Company	Unsecured debenture #16	2013	30,000	30,000	Unsecured	0.8	2023
The Company	Unsecured debenture #17	2013	20,000	20,000	Unsecured	1.4	2028
Subsidiaries	Unsecured debentures	2007 - 2014	99,820	682,941	Unsecured	0.3 - 2.0	2017 - 2022
Total			159,820	742,941			

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, 2017			
		Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Forward exchange contracts	In	13,020	18,137	-	31,157
	Out	25,703	24,070	-	49,773
Cross currency swaps	In	296	318	8,300	8,914
	Out	797	3,994	269	5,060
Interest rate swaps	In	18	501	-	519
	Out	60	2,159	637	2,856
Option contracts	In	122	6,061	-	6,183
	Out	-	-	-	-

Millions of yen

		March 31, 2016			
		Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Forward exchange contracts	In	10,703	8,490	-	19,193
	Out	7,630	53,068	-	60,698
Cross currency swaps	In	9,123	8,889	63	18,075
	Out	4,820	8,014	-	12,834
Interest rate swaps	In	6	37	-	43
	Out	425	4,471	4,034	8,930
Option contracts	In	169	6,061	-	6,230
	Out	47	-	-	47

(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, Short-term loans receivable, Short-term debt, Other payables and Trade payables

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

Trade receivables

The fair value of trade receivables is measured by the present value of future cash flows discounted by risk-free rates after considering early settlements, cancellation and the balance of doubtful accounts, for each type of receivable, class of receivable based on collection records and term of collection.

Lease receivables

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

Investments in securities and other financial assets

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.

Fair values of subordinated interests and beneficiary interests in trust that are retained in transactions of transferring financial assets are estimated by discounting future cash flows based on economic assumptions including expected rate of credit loss and discount rate since significant inputs for estimation of the fair value are unobservable.

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.

Contract guarantee deposits are financial liabilities received from some customers and other parties as a credit enhancement to trade and lease receivables, and normally returned after the underlying assets are fully collected. The fair value of contract guarantee deposits is measured by discounting the sum of the principals over the time to the contractual return dates, using the risk-free discount rate.

(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, 2017 and 2016 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, 2017		March 31, 2016	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets				
Trade receivables [1]	2,471,967	2,472,031	3,676,298	3,691,667
Lease receivables	81,011	82,007	1,066,243	1,104,607
Investments in securities and other financial assets [2]				
Debt securities	155,745	155,751	75,326	75,319
Long-term loans receivable	102,384	103,257	90,944	91,773
Liabilities				
Long-term debt [3]				
Lease obligations	49,703	50,027	44,600	44,696
Bonds	159,820	164,037	742,941	755,325
Long-term debt	770,723	777,341	1,945,497	1,970,687
Other financial liabilities				
Contract guarantee deposits	-	-	31,987	31,528

[1] Trade receivables are included in Trade receivables and Investments in securities and other financial assets in the consolidated statement of financial position.

[2] Investments in securities and other financial assets are included in Other current assets and Investments in securities and other financial assets in the consolidated statement of financial position.

[3] 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.

The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2017 and 2016.

March 31, 2017 Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets[1]				
Equity securities	-	-	704	704
Debt securities	11,593	6,814	8,991	27,398
Derivatives	-	40,724	6,061	46,785
FVTOCI financial assets:				
Investments in securities and other financial assets[1]				
Equity securities	355,310	104	109,766	465,180
Total financial assets at fair value	366,903	47,642	125,522	540,067
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	57,763	-	57,763
Total financial liabilities at fair value	-	57,763	-	57,763

March 31, 2016 Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets[1]				
Equity securities	16	-	1,781	1,797
Debt securities	12,051	7,427	38,025	57,503
Derivatives	-	37,489	6,061	43,550
FVTOCI financial assets:				
Investments in securities and other financial assets[1]				
Equity securities	280,978	220	115,536	396,734
Total financial assets at fair value	293,045	45,136	161,403	499,584
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	82,617	-	82,617
Total financial liabilities at fair value	-	82,617	-	82,617

[1] Investments in securities and other financial assets are included in Other current assets and Investments in securities and other financial assets in the consolidated statement of financial position.

The following tables present the changes in Level 3 instruments measured on a recurring basis for the years ended March 31, 2017 and 2016.

2017 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of year	117,317	38,025	6,061	161,403
Gain (loss) in profit or loss [1]	16	(192)	-	(176)
Loss in OCI [2]	(1,386)	-	-	(1,386)
Purchases	2,471	2,535	-	5,006
Sales and redemption	(3,949)	(11,365)	-	(15,314)
Acquisitions and divestitures	(4,532)	(19,548)	-	(24,080)
Transfer from Level 3 [3]	(168)	-	-	(168)
Other	701	(464)	-	237
Balance at end of year	110,470	8,991	6,061	125,522
Unrealized gain (loss) relating to financial assets held at end of year [4]	40	(197)	-	(157)

2016 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of year	112,632	57,299	-	169,931
Loss in profit or loss [1]	(310)	(442)	-	(752)
Gain in OCI [2]	3,196	-	-	3,196
Purchases	2,499	2,721	6,061	11,281
Sales and redemption	(2,692)	(21,769)	-	(24,461)
Acquisitions and divestitures	7,306	364	-	7,670
Transfer from Level 3 [3]	(4,874)	-	-	(4,874)
Other	(440)	(148)	-	(588)
Balance at end of year	117,317	38,025	6,061	161,403
Unrealized loss relating to financial assets held at end of year [4]	(311)	(410)	-	(721)

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

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

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

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

Written put options on non-controlling interests of subsidiaries are not included in the above table. Such put options are classified as Level 3 financial liabilities measured on a recurring basis, and changes in fair value are recognized in Capital surplus. The fair value of the put options above was ¥14,495 million as of March 31, 2017 included in Other financial liabilities in the consolidated statement of financial position.

Valuation techniques and unobservable inputs used for measuring financial instruments categorized as Level 3 on a recurring basis as of March 31, 2016 are as follows:

March 31, 2016 Millions of yen

Level 3 financial instruments	Fair value	Valuation technique	Unobservable inputs	Range
Subordinated interests and beneficiary interests in trusts that are retained relating to securitization of financial assets	25,389	DCF	Discount rate	0.05-1.25%
			Expected rate of credit loss of the entire transferred financial assets	0.15-0.36%

There are no material valuation techniques and unobservable inputs used for measuring financial instruments categorized as Level 3 on a recurring basis as of March 31, 2017.

The impact on the fair value is not material if unobservable inputs are changed to reasonably possible alternative assumptions in estimating the fair value of subordinated interests and beneficiary interests in trusts that are retained relating to securitization of financial assets.

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.

Equity instruments held with the objective of maintaining and strengthening business relations with the issuers are classified as FVTOCI financial assets. The following is a list of principal equity instruments designated as FVTOCI and their fair values.

March 31, 2017 Millions of yen

Principal FVTOCI financial assets	Fair value
Renesas Electronics Corporation	149,055
Western Digital Corporation	57,869
JECC Corporation	19,298
Central Japan Railway Company	16,326
Hitachi Maxell, Ltd.	15,835
Yungtay Engineering Co., Ltd.	9,252
World Trade Center Building, Inc.	9,214
Nippon Steel Kowa Real Estate Co., Ltd.	8,693
East Japan Railway Company	7,875
Honda Motor Co., Ltd.	6,830

March 31, 2016 — Millions of yen

Principal FVTOCI financial assets	Fair value
Renesas Electronics Corporation	92,473
Western Digital Corporation	33,268
JECC Corporation	19,011
Central Japan Railway Company	17,914
World Trade Center Building, Inc.	13,014
East Japan Railway Company	7,911
Yungtay Engineering Co., Ltd.	7,663
Nippon Steel Kowa Real Estate Co., Ltd.	7,511
Honda Motor Co., Ltd.	6,272
Nitto Denko Corporation	6,257

See note 22 for dividends received from investment securities classified as FVTOCI financial assets.

Accumulated gains and losses on valuation of FVTOCI financial assets are reclassified into retained earnings when derecognized during the fiscal year. The net gains reclassified, net of taxes, for the years ended March 31, 2017 and 2016 were ¥15,161 million and ¥17,356 million, respectively. These financial assets were derecognized upon disposal of shares after reviewing particular business relations, or acquisitions and divestitures.

The information on FVTOCI financial assets that were derecognized for the years ended March 31, 2017 and 2016 is as follows:

Millions of yen

	2017	2016
Fair value at the time of derecognition	42,482	45,579
Accumulated gains at the time of derecognition	21,802	27,621

(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

Changes in the fair value of forward exchange contracts designated as an effective cash flow hedge of forecasted transactions are recognized in OCI. AOCI is subsequently reclassified into profit or loss when the hedged items affect profit for the period.

Interest Rate Risk

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.

As of March 31, 2017, the period in which the cash flows from the hedged items are expected to occur and in which they are expected to affect profit or loss is between April 2017 and December 2026.

The fair values of the main types of derivatives designated as hedging instruments are as follows:

Millions of yen

	March 31, 2017		March 31, 2016	
	Asset	Liability	Asset	Liability
Fair value hedge				
Forward exchange contracts	1,450	3,527	6,407	1,462
Cross currency swaps	8,774	4,339	3,031	5,251
Interest rate swaps	352	69	-	861
Total	10,576	7,935	9,438	7,574
Cash flow hedge				
Forward exchange contracts	28,651	27,666	11,825	46,423
Cross currency swaps	-	721	14,869	7,049
Interest rate swaps	167	2,787	43	8,068
Total	28,818	31,174	26,737	61,540

The fair values of derivative assets and liabilities for which hedge accounting was not applied as of March 31, 2017 and 2016 were ¥7,383 million and ¥7,366 million for derivative assets, and ¥18,626 million and ¥13,406 million for derivative liabilities, respectively.

The contract amounts and notional amounts of the main types of derivatives are as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Forward exchange contracts		
To sell foreign currencies	717,979	752,975
To buy foreign currencies	168,406	304,571
Cross currency swaps		
To sell foreign currencies	13,187	16,709
To buy foreign currencies	129,875	345,396
Interest rate swaps	324,772	696,854

The following table, "Effective portion of derivatives designated as hedging instruments and related hedged items" shows the effects of derivative instruments for fair value hedges in the consolidated statement of profit or loss for the year ended March 31, 2017.

Effective Portion of Derivatives Designated as Hedging Instruments and Related Hedged Items

Hedging instruments — Millions of yen

Derivatives	Recognized in profit or loss	Amount recognized
Forward exchange contracts	Financial expenses	18,495
Cross currency swaps	Financial expenses	12,973
Total		31,468

Hedged items — Millions of yen

Recognized in statement of financial position	Recognized in profit or loss	Amount recognized
Trade receivables, other current assets and trade payables	Financial expenses	(19,246)
Long-term debt	Financial expenses	(13,242)
Total		(32,488)

The amounts recognized in the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended March 31, 2017, related to cash flow hedges are detailed in the following tables:
"Gain (loss) recognized in OCI, Effective portion of derivatives designated as hedging instruments,"
"Gain (loss) reclassified from OCI into profit or loss, Effective portion of derivatives designated as hedging instruments," and
"Gain (loss) on derivatives designated as cash flow hedging instruments, ineffective portion."

Gain (Loss) Recognized in OCI, Effective Portion of Derivatives Designated as Hedging Instruments

Derivatives	Millions of yen
Forward exchange contracts	34,558
Cross currency swaps	24,354
Interest rate swaps	7,754
Total	66,666

Gain (Loss) Reclassified from OCI into Profit or Loss, Effective Portion of Derivatives Designated as Hedging Instruments

Derivatives	Recognized in profit or loss	Millions of yen
Forward exchange contracts	Cost of sales and Financial expenses	1,512
Cross currency swaps	Financial expenses	(11,353)
Interest rate swaps	Cost of sales and Interest charges	(2,364)
Total		(12,205)

Gain (Loss) on Derivatives Designated as Cash Flow Hedging Instruments, Ineffective Portion

Derivatives	Recognized in profit or loss	Millions of yen
Forward exchange contracts	Financial expenses	(6,569)
Total		(6,569)

The following table, "Effective portion of derivatives designated as hedging instruments and related hedged items" shows the effects of derivative instruments for fair value hedges in the consolidated statement of profit or loss for the year ended March 31, 2016.

Effective Portion of Derivatives Designated as Hedging Instruments and Related Hedged Items

Hedging instruments — Millions of yen

Derivatives	Recognized in profit or loss	Amount recognized
Forward exchange contracts	Financial expenses	4,887
Cross currency swaps	Financial expenses	454
Total		5,341

Hedged items — Millions of yen

Recognized in statement of financial position	Recognized in profit or loss	Amount recognized
Trade receivables and trade payables	Financial expenses	(5,505)
Long-term debt	Financial expenses	(447)
Total		(5,952)

The amounts recognized in the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended March 31, 2016, related to cash flow hedges are detailed in the following tables:
"Gain (loss) recognized in OCI, Effective portion of derivatives designated as hedging instruments,"
"Gain (loss) reclassified from OCI into profit or loss, Effective portion of derivatives designated as hedging instruments," and
"Gain (loss) on derivatives designated as cash flow hedging instruments, ineffective portion."

Gain (Loss) Recognized in OCI, Effective Portion of Derivatives Designated as Hedging Instruments

Derivatives	Millions of yen
Forward exchange contracts	19,764
Cross currency swaps	16,200
Interest rate swaps	(868)
Option contracts	193
Total	35,289

Gain (Loss) Reclassified from OCI into Profit or Loss, Effective Portion of Derivatives Designated as Hedging Instruments

Derivatives	Recognized in profit or loss	Millions of yen
Forward exchange contracts	Cost of sales and Financial expenses	2,609
Cross currency swaps	Financial expenses	8,373
Interest rate swaps	Cost of sales and Interest charges	(2,855)
Option contracts	Financial expenses	(193)
Total		7,934

Gain (Loss) on Derivatives Designated as Cash Flow Hedging Instruments, Ineffective Portion

Derivatives	Recognized in profit or loss	Millions of yen
Forward exchange contracts	Financial expenses	(4,460)
Interest rate swaps	Cost of sales and Interest charges	18
Total		(4,442)

(e) Securitization of Financial Assets

For the purpose of providing diversified and stable financing, the Company and certain subsidiaries securitize certain financial assets, such as lease and trade receivables, through structured entities formed by third parties. These structured entities procure funds by issuing commercial paper and other borrowings. These securitization transactions are similar to those used by many financial institutions.

Basically, investors in these structured entities only have recourse to the assets owned by the entity, and not to other assets held by the Company and its subsidiaries. The Company and certain subsidiaries do not provide non-contractual support to structured entities and do not have implicit support arrangements with any of them. The majority of their involvement with these structured entities related to securitization activities are financing of an entity, providing limited credit enhancements, servicing the assets and receiving fees for services provided.

(i) Consolidated Structured Entities for Securitization Purposes

The assets and liabilities held by the consolidated structured entities for securitization purposes as of March 31, 2017 and 2016 are as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Cash and cash equivalents	-	16,448
Trade receivables	-	16,453
Lease receivables	-	56,118
Total current assets	-	89,019
Trade receivables	-	93,522
Lease receivables	-	109,110
Total non-current assets	-	202,632
Current portion of long-term debt	-	71,674
Total current liabilities	-	71,674
Long-term debt	-	165,350
Total non-current liabilities	-	165,350

Substantially, all of the assets held by the consolidated structured entities for securitization purposes can only be used to settle obligations of these entities.

(ii) Risks Associated with the Company’s Interests in Unconsolidated Structured Entities for Securitization Purposes

The Company and certain subsidiaries use structured entities sponsored by financial institutions to securitize certain financial assets, such as lease and trade receivables. These financial institutions operate those structured entities as a part of their ordinary business. 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 these financial institutions that purchase a large amount of assets from entities other than the Company and certain subsidiaries. The Company and certain subsidiaries have little relevance to the evaluation of exposures to the risks these structured entities hold.

With respect to securitization of certain assets, certain subsidiaries structure trusts upon investors’ requests and sell interests in the trusts to the investors and hold limited interests of these trusts.

In some cases, the Company and certain subsidiaries retain subordinated interests in the financial assets transferred to structured entities, mainly to secure liquidity and provide limited credit enhancement, and/or investors have recourse with a scope that is considerably limited. As of March 31, 2016, the amount of the maximum exposures to losses associated with the Company’s interests in these unconsolidated structured entities for securitization was ¥67,757 million, and this amount was included in the balances of the subordinated interests and the obligations to purchase assets or the carrying amounts of the transferred assets that are not derecognized in their entirety.

(iii) Transfers of Financial Assets by Securitization

- **Transfers of Financial Assets Derecognized in their Entirety**

The Company and certain subsidiaries transfer lease and trade receivables to unconsolidated structured entities and other entities.

The Company and certain subsidiaries retain servicing responsibilities for financial assets derecognized in their entirety, but do not record a servicing asset or liability because the amounts of the cost to service the receivables and the servicing income are not material.

As of March 31, 2016, the maximum exposures to losses from continuing involvement with the financial assets derecognized in their entirety, which is the sum of subordinated interests and the obligations to purchase assets under limited conditions, are included in the maximum exposures to losses described in "Risks associated with the Company's interests in unconsolidated structured entities for securitization purposes."

- **Transfers of Financial Assets not Derecognized in their Entirety**

The Company and certain subsidiaries do not derecognize financial assets when they retain substantially all credit risks and economic value related to the transferred financial assets through holding subordinated interests.

As of March 31, 2017 and 2016, the carrying amounts of the financial assets that continue to be recognized in their entirety and the related liabilities are as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Trade receivables	13,742	69,776
Lease receivables	-	22,335
Total current assets	13,742	92,111
Lease receivables	-	35,106
Total non-current assets	-	35,106
Carrying amount of transferred financial assets	13,742	127,217
Short-term debt	13,804	40,522
Current portion of long-term debt	-	29,733
Total current liabilities	13,804	70,255
Long-term debt	-	33,992
Total non-current liabilities	-	33,992
Carrying amount of related liabilities	13,804	104,247

As of March 31, 2017 and 2016, the fair values of the financial assets whose transferee has a recourse right only to the transferred financial assets and the fair values of the related liabilities and their net positions are summarized as follows:

Millions of yen

	March 31, 2017	March 31, 2016
Fair value of financial assets	12,903	127,523
Cash and cash equivalents related to collection of transferred financial assets	-	4,086
Fair value of related liabilities	12,903	102,522
Net position	-	29,087

Substantially, all of the financial assets transferred to investors can only be used to settle the obligations of the investor.

(27) 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, 2017	March 31, 2016
Trade receivables	6,013	4,870
Inventories	13,528	5,137
Other current assets	575	7
Investments in securities and other financial assets	882	846
Land	639	1,970
Buildings and structures	8,802	7,178
Machinery and other property, plant and equipment	38,443	25,724
Total	68,882	45,732

(28) Principal Subsidiaries

The Company's consolidated financial statements include the following subsidiaries listed below.

Reporting segment	Name of subsidiary	Business location	Ownership percentage of voting rights (%)
Information & Telecommunication Systems	Hitachi Information & Telecommunication Engineering, Ltd.	Yokohama, Kanagawa	100.0
Information & Telecommunication Systems	Hitachi-Omron Terminal Solutions, Corp.	Shinagawa-ku, Tokyo	55.0
Information & Telecommunication Systems	Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	100.0
Information & Telecommunication Systems	Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	100.0
Information & Telecommunication Systems	Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	100.0
Information & Telecommunication Systems	Hitachi Consulting Corporation	Texas, U.S.A.	100.0
Information & Telecommunication Systems	Hitachi Data Systems Corporation	California, U.S.A.	100.0
Information & Telecommunication Systems	Hitachi Financial Equipment System (Shen Zhen) Co., Ltd.	Shenzhen, China	100.0
Information & Telecommunication Systems	Hitachi Payment Services Private Limited	Chennai, India	100.0
Social Infrastructure & Industrial Systems	Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Social Infrastructure & Industrial Systems	Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	80.0
Social Infrastructure & Industrial Systems	Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Social Infrastructure & Industrial Systems	Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki	100.0
Social Infrastructure & Industrial Systems	Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	100.0
Social Infrastructure & Industrial Systems	Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	100.0
Social Infrastructure & Industrial Systems	Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	100.0
Social Infrastructure & Industrial Systems	Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	70.0
Social Infrastructure & Industrial Systems	Hitachi Rail Europe Ltd.	London, U.K.	100.0
Social Infrastructure & Industrial Systems	Horizon Nuclear Power Limited	Gloucester, U.K.	100.0
Electronic Systems & Equipment	Hitachi High-Technologies Corporation	Minato-ku, Tokyo	51.8
Electronic Systems & Equipment	Hitachi Kokusai Electric Inc.	Minato-ku, Tokyo	51.8
Construction Machinery	Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo	51.5

Reporting segment	Name of subsidiary	Business location	Ownership percentage of voting rights (%)
High Functional Materials & Components	Hitachi Chemical Company, Ltd.	Chiyoda-ku, Tokyo	51.4
High Functional Materials & Components	Hitachi Metals, Ltd.	Minato-ku, Tokyo	53.5
Automotive Systems	Clarion, Co., Ltd.	Saitama, Saitama	64.0
Automotive Systems	Hitachi Automotive Systems, Ltd.	Hitachinaka, Ibaraki	100.0
Automotive Systems	Hitachi Automotive Systems Americas, Inc.	Kentucky, U.S.A.	100.0
Smart Life & Ecofriendly Systems	Hitachi Appliances, Inc.	Minato-ku, Tokyo	100.0
Smart Life & Ecofriendly Systems	Hitachi Consumer Marketing, Inc.	Minato-ku, Tokyo	100.0
Smart Life & Ecofriendly Systems	Hitachi Consumer Products (Thailand), Ltd.	Prachinburi, Thailand	80.1
Others	Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo	51.0
Others	Hitachi Life, Ltd.	Hitachi, Ibaraki	100.0
Others	Hitachi Urban Investment, Ltd.	Chiyoda-ku, Tokyo	100.0
Others	Hitachi America, Ltd.	New York, U.S.A.	100.0
Others	Hitachi Asia Ltd.	Singapore	100.0
Others	Hitachi (China), Ltd.	Beijing, China	100.0
Others	Hitachi Europe Ltd.	Maidenhead, U.K.	100.0
Others	Hitachi India Pvt. Ltd.	New Delhi, India	100.0
Others	Hitachi Information & Telecommunication Systems Global Holding Corporation	California, U.S.A.	100.0
-	Other 825 companies	-	-

(29) 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, 2017	March 31, 2016
Trade receivables	115,583	67,952
Short-term loans receivable [1]	6,983	15,962
Other receivables [1]	9,540	12,835
Long-term loans receivable [2]	83,502	66,453
Trade payables	118,666	52,043
Other payables [3]	18,369	6,622
Lease obligations [4]	18,230	-

Millions of yen

With joint ventures	March 31, 2017	March 31, 2016
Trade receivables	184,491	116,586
Other receivables [1]	1,058	12,353
Long-term loans receivable [2]	16,036	-

[1] Included in Other current assets in the consolidated statement of financial position.
[2] Included in Investments in securities and other financial assets in the consolidated statement of financial position.
[3] Included in Other financial liabilities in the consolidated statement of financial position.
[4] Included in Current portion of long-term debt and Long-term debt in the consolidated statement of financial position.

Revenue and purchase transactions of the Company and its subsidiaries with associates and joint ventures are as follows:

Millions of yen

With associates	2017	2016
Revenues	298,387	211,957
Purchases	191,408	86,219

Millions of yen

With joint ventures	2017	2016
Revenues	137,077	143,706
Purchases	28,989	31,130

(b) Compensation for Directors and Executive Officers of the Company

Millions of yen

	2017	2016
Basic remuneration, year-end allowance and performance-linked compensation	2,437	2,323
Medium and long-term incentive compensation (Stock options as stock-based compensation)	300	-
Total	2,737	2,323

(30) 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, 2017 is as follows:

Millions of yen

	March 31, 2017
Total commitments available	70,230
Less amount utilized	70,000
Balance available	230

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 and certain subsidiaries have 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, 2017 amounted to ¥599,067 million, primarily belonging to the Company. 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, 2017 amounted to ¥200,000 million. The Company also maintains other commitment line agreements with several financial institutions, with terms of 3 years ending in July 2019. The unused line of credit under these arrangements as of March 31, 2017 amounted to ¥200,000 million.

(b) Commitments for Acquisition of Assets

As of March 31, 2017, outstanding commitments made to purchase property, plant and equipment were ¥75,234 million.

(c) Guarantee Obligations

The Company and certain subsidiaries provide debt guarantees to their associates, joint ventures and third parties. As of March 31, 2017, the balance of the guarantee obligations was ¥55,654 million. It consisted of guarantees to associates of ¥6,597 million, to joint ventures of ¥27,745 million and to third parties of ¥21,312 million.

(d) Litigation

In June 2009, a subsidiary in Japan received a grand jury subpoena in connection with the investigation conducted by the Antitrust Division of the U.S. Department of Justice and received requests for information from the European Commission in respect of alleged antitrust violations relating to optical disk drives. In November 2011, the subsidiary in Japan paid a fine in relation to the investigation from the Antitrust Division of the U.S. Department of Justice. In July 2012, the subsidiary in Japan received a statement of objections from the European Commission in respect of alleged antitrust violations. In October 2015, the European Commission announced the amount of the fine for the subsidiary in Japan in respect of alleged antitrust violations, and in June 2016, two subsidiaries in Japan and Korea paid the fines.

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

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

In June 2014, a subsidiary in Japan was investigated by the Japan Fair Trade Commission in respect of alleged antitrust violations relating to capacitors. In March 2016, the subsidiary received a notice that the investigation was over from the Japan Fair Trade Commission. The subsidiary in Japan and subsidiaries in Europe, the U.S.A., and others are being investigated by competition authorities in each country or region, all in respect of alleged antitrust violations relating to capacitors. In April 2016, the subsidiary in Japan concluded an agreement in which the subsidiary will pay fines, and in June 2016, the subsidiary in Japan paid the fines. In November 2015, the subsidiaries in Japan received a statement of objections from the European Commission in respect of alleged antitrust violations.

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

In August 2012, a subsidiary in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of EUR 1,058 million (¥126,808 million), additional costs and interest allegedly incurred by the delay in the construction process of a power plant against, jointly and severally, the Company, the subsidiary in Europe, a consortium including the Company and the subsidiary in Europe, and two other companies. In addition, in October 2013 and February 2016, the subsidiary in Europe received additional complains requesting compensation for consequential losses of EUR 239 million (¥28,688 million) and EUR 105 million (¥12,534 million), respectively. In June 2016, the Company was informed that the customer added an associate in Europe as one of the defendants. Although the Company, the subsidiary and the associate in Europe and the consortium will vigorously defend themselves against this lawsuit, there can be no assurance that they will not be held liable for any amounts claimed.

In December 2013, the Company, a subsidiary in Europe and a consortium consisting of the Company and the subsidiary in Europe, jointly and severally received a request from a customer in Europe to refer a dispute to arbitration demanding EUR 637 million (¥76,327 million) in compensation for consequential losses allegedly incurred by the delay in the construction process of a power plant. In November 2016, an arbitral award was issued by an arbitral tribunal and the award was paid in February 2017. The customer, the Company, the subsidiary in Europe and the consortium consisting of the Company and the subsidiary in Europe continue their negotiations to achieve a final settlement regarding certain unsettled matters.
In addition, in December 2015, these companies, jointly and severally received a request for arbitration from the customer demanding EUR 161 million (¥19,325 million) in compensation primarily for performance related deficiencies of a power plant. As of March 31, 2017, the amount of compensation claimed by the customer was changed to EUR 163 million (¥19,620 million). Although, the Company, the subsidiary in Europe and the consortium consisting of the Company and the subsidiary in Europe will vigorously defend themselves against this lawsuit, there can be no assurance that they will not be held liable for any amounts claimed.

In January 2016, a subsidiary in Europe notified its customer in Europe that the subsidiary had commenced arbitration proceedings to resolve a disagreement about construction of a power plant, and then the arbitration was started. While the subsidiary is seeking payments of the unpaid amounts based on the contract, a counterclaim was filed by the customer. Thus, there can be no assurance that the subsidiary will not be held liable for any amounts.

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. Accordingly, except as otherwise stated, no accrual for potential loss has been made. 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 position or results of operations of the Company and subsidiaries.

(e) Other

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

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

The said transfer price adjustment for the Transfer of South African Business is still under discussion between the Company and MHI and not yet agreed upon at the moment. On March 31, 2016, MHI requested the Company to pay ZAR 48,200 million (approximately ¥379.0 billion when ZAR 1 = ¥7.87) to MHPS Africa as a portion of transfer price adjustment, etc. The Company replied to MHI on April 6, 2016 that the details of the demand letter lacked legal grounds under any agreement and thus the Company cannot accept it.

On January 31, 2017, MHI extended the amount above and requested the Company to pay ZAR 89,700 million (approximately ¥763.4 billion when ZAR 1 = ¥8.51). While the Company cannot accept the request since it lacks legal grounds under any agreement as well as the request of March 2016 does, the Company intends to continue further discussion with MHI upon the agreement executed between the Company and MHI regarding the Transfer of South African Business and past discussion between the Company and MHI.

The Company has recorded provisions based on reasonable estimates for the aforementioned agreement related to the South African Business. The actual amount of payment resulting from the transfer price adjustment may be different from the accrued amount.

(31) Approval of Consolidated Financial Statements

The consolidated financial statements were approved on June 21, 2017 by Toshiaki Higashihara, President and CEO of the Company.

Independent Auditor's Report

To the Stockholders and Board of Directors of
Hitachi, Ltd.

We have audited the accompanying consolidated financial statements of Hitachi, Ltd. and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2017, 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.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hitachi, Ltd. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

/s/ Ernst & Young ShinNihon LLC

June 21, 2017
Tokyo, Japan

(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, 2017
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & CEO
[Name and title of CFO]	Mitsuaki Nishiyama, Senior Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

1. Matters Related to Basic Framework of Internal Control over Financial Reporting

Mr. Toshiaki Higashihara, President & CEO, and Mr. Mitsuaki Nishiyama, 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, 2017. 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 80% 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, 2017.

4. Supplementary Matters

None.

5. Special Notes

None.

TRANSLATION

Following is an English translation of the Independent Auditors' 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 conducted 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 Auditors' Report
(filed under the Financial Instruments and Exchange Act of Japan)

June 21, 2017

Mr. Toshiaki Higashihara, President & CEO
Hitachi, Ltd.

Ernst & Young ShinNihon LLC

Designated and Engagement Partner, Certified Public Accountant:	Takashi Ouchida
Designated and Engagement Partner, Certified Public Accountant:	Takahiro Saga
Designated and Engagement Partner, Certified Public Accountant:	Takuya Tanaka

[Audit of Financial Statements]

Pursuant to the Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated statement of financial position as at March 31, 2017 of Hitachi, Ltd. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, including notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards pursuant to the provision of Article 93 of the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient an appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as at March 31, 2017, and the results of their operations and their cash flows for the year then ended in conformity with International Financial Reporting Standards.

[Audit of Internal Control]

Pursuant to the Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of the Company and its consolidated subsidiaries as of March 31, 2017.

Management's Responsibility for the Report on Internal Control

The Company's management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit as independent position. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditors' judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of the Company and its consolidated subsidiaries as of March 31, 2017 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

(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, 2017
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & CEO
[Name and title of CFO]	Mitsuaki Nishiyama, Senior Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

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

   Mr. Toshiaki Higashihara, President & CEO, and Mr. Mitsuaki Nishiyama, Senior Vice President and Executive Officer, confirmed that statements contained in the Annual Securities Report for the 148th fiscal year (from April 1, 2016 to March 31, 2017) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

   None.