[Translation]

Quarterly Report

(The Third Quarter of 150th Business Term)

From October 1, 2018 to December 31, 2018

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

Hitachi, Ltd.

[Cover]

[Document Filed]	Quarterly Report (“Shihanki Hokokusho”)
[Applicable Law]	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	February 13 , 2019
[Fiscal Year]	The Third Quarter of 150th Business Term (from October 1, 2018 to December 31, 2018)
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & CEO
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Phone No.]	03-3258-1111
[Contact Person]	Masachika Sawada, Manager, Legal Division
[Contact Address]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Phone No.]	03-3258-1111
[Contact Person]	Masachika Sawada, Manager, Legal Division
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

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

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

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

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

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

Contents

Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Year ended March 31, 2018
Revenues	6,674,028 [2,297,561]	6,782,969 [2,291,135]	9,368,614
Income from continuing operations, before income taxes	468,152	306,761	638,646
Net income (loss) attributable to Hitachi, Ltd. stockholders	258,582 [97,969]	82,627 [(110,368)]	362,988
Comprehensive income attributable to Hitachi, Ltd. stockholders	324,628	25,247	382,341
Total Hitachi, Ltd. stockholders' equity	3,220,508	3,142,280	3,278,024
Total equity	4,449,438	4,298,371	4,511,671
Total assets	10,196,152	9,693,492	10,106,603
Earnings (loss) per share attributable to Hitachi, Ltd. stockholders, basic (yen)	267.80 [101.46]	85.57 [(114.30)]	375.93
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	267.55	85.50	375.60
Total Hitachi, Ltd. stockholders' equity ratio (%)	31.6	32.4	32.4
Net cash provided by operating activities	473,210	202,351	727,168
Net cash used in investing activities	(314,238)	(175,495)	(474,328)
Net cash provided by (used in) financing activities	(142,413)	3,857	(321,454)
Cash and cash equivalents at end of period	811,324	708,745	697,964

(Notes) 1. Hitachi's consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.
2. Revenues do not include the consumption tax, etc.
3. The figures of "Revenues," "Net income (loss) attributable to Hitachi, Ltd. stockholders" and "Earnings (loss) per share attributable to Hitachi, Ltd. stockholders, basic" in square bracket are those for the three months ended December 31, 2017 and 2018, respectively.
4. On October 1, 2018, the Company completed the share consolidation of every five (5) shares of common stock into one (1) share. The figures for basic and diluted earnings (loss) per share attributable to Hitachi, Ltd. stockholders are calculated on the assumption that the Company conducted this share consolidation at the beginning of the fiscal year ended March 31, 2018.

2. Description of Business

There were no material changes in principal businesses of Hitachi during the nine months ended December 31, 2018. The Hitachi Group is comprised of the Company, 840 consolidated subsidiaries, and 416 equity-method associates and joint-ventures.

Changes in principal affiliated companies during the nine months ended December 31, 2018 were as follows.

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

II. Business Overview

1. Risk Factors

There were no new risk factors recognized during the nine months ended December 31, 2018.

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

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

(1) Analysis of Results of Operations

Results of Operations

The results of operations in the nine months ended December 31, 2018 were as follows.

Revenues increased 2% to ¥6,782.9 billion, as compared with the nine months ended December 31, 2017. This increase was due mainly to the increased revenues from the railway systems business for Europe and the acquisition of the Sullair brand air compressor business (Sullair business) in July 2017 in the Social Infrastructure & Industrial Systems segment, higher revenues in the High Functional Materials & Components segment owing to corporate acquisitions by Hitachi Chemical Company, Ltd. and Hitachi Metals, Ltd., and increased revenues, mainly overseas, in the Construction Machinery segment.

Cost of sales increased 1% to ¥4,948.0 billion, as compared with the nine months ended December 31, 2017, and the ratio of cost of sales to revenues was 73%, which was the same level as for the nine months ended December 31, 2017. Gross profit increased 3% to ¥1,834.9 billion, as compared with the nine months ended December 31, 2017.

Selling, general and administrative expenses ("SG&A") was ¥1,300.4 billion, which was the same level as for the nine months ended December 31, 2017, and the ratio of SG&A to revenues decreased 1% to 19%, as compared with the nine months ended December 31, 2017.

Adjusted operating income (presented as revenues less cost of sales as well as selling, general and administrative expenses) increased ¥59.9 billion to ¥534.5 billion, as compared with the nine months ended December 31, 2017, despite the lower profits in the Automotive Systems segment, High Functional Materials & Components segment and Smart Life & Ecofriendly Systems segment. This increase was due mainly to higher profits because of increased revenues and improved profitability in the Information & Telecommunication Systems segment, Social Infrastructure & Industrial Systems segment and Construction Machinery segment.

Other income increased ¥104.1 billion to ¥108.7 billion, as compared with the nine months ended December 31, 2017, due mainly to gains on business reorganization and others by selling shares of Hitachi Kokusai Electric Inc. stock and a part of shares of Agility Trains West (Holdings) Limited stock for the railway systems business. Other expenses increased ¥307.9 billion to ¥360.6 billion, as compared with the nine months ended December 31, 2017, due mainly to impairment losses recognized as the result of the suspension of the UK nuclear power stations construction project in the power and energy business.

Financial income (excluding interest income) increased ¥7.2 billion to ¥14.3 billion and financial expenses (excluding interest charges) decreased ¥4.2 billion to ¥2.0 billion, as compared with the nine months ended December 31, 2017, respectively.

Share of profits of investments accounted for using the equity method decreased ¥34.9 billion to ¥10.4 billion, as compared with the nine months ended December 31, 2017.

EBIT (earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges) decreased ¥167.3 billion to ¥305.4 billion, as compared with the nine months ended December 31, 2017, despite the increase in adjusted operating income and posting of gains from sale of shares of Hitachi Kokusai Electric Inc. stock and a part of shares of Agility Trains West (Holdings) Limited stock. The decrease was due mainly to the recognition of impairment losses for the suspension of the UK nuclear power stations construction project.

Interest income increased ¥5.8 billion to ¥16.7 billion and interest charges decreased ¥0.1 billion to ¥15.4 billion, as compared with the nine months ended December 31, 2017, respectively.

Income from continuing operations, before income taxes decreased ¥161.3 billion to ¥306.7 billion, as compared with the nine months ended December 31, 2017.

Income taxes increased ¥21.0 billion to ¥137.5 billion, as compared with the nine months ended December 31, 2017.

Income (loss) from discontinued operations was net loss of ¥4.4 billion for the nine months ended December 31, 2018, as compared with net income of ¥98 million for the nine months ended December 31, 2017.

Net income decreased ¥186.9 billion to ¥164.8 billion, as compared with the nine months ended December 31, 2017.

Net income attributable to non-controlling interests decreased ¥11.0 billion to ¥82.1 billion, as compared with the nine months ended December 31, 2017.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders decreased ¥175.9 billion to ¥82.6 billion, as compared with the nine months ended December 31, 2017.

Operations by Segment

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

(Information & Telecommunication Systems)

Revenues increased 3% to ¥1,450.8 billion, as compared with the nine months ended December 31, 2017, due mainly to higher revenues from system integration business, despite the effect of transfer of a subsidiary operating communication network equipment business.

Adjusted operating income increased ¥38.7 billion to ¥157.0 billion, as compared with the nine months ended December 31, 2017, due mainly to improved profitability in system integration business and IT platform & products business.

EBIT increased ¥60.5 billion to ¥164.9 billion, as compared with the nine months ended December 31, 2017, due mainly to the increased adjusted operating income and posting of gains on sales of land formerly used as production site for telecommunication network products.

(Social Infrastructure & Industrial Systems)

Revenues increased 5% to ¥1,698.2 billion, as compared with the nine months ended December 31, 2017, due mainly to revenue increase in railway systems business for Europe and that in industrial products business owing to the acquisition of air compressor business with Sullair brand (Sullair Business).

Adjusted operating income increased ¥34.2 billion to ¥97.7 billion, as compared with the nine months ended December 31, 2017, due mainly to revenue increase in railway systems business and industrial products business, and improved profitability in business for industry & distribution field and industrial products business.

EBIT was net loss of ¥153.7 billion for the nine months ended December 31, 2018, as compared with net earnings of ¥57.5 billion for the nine months ended December 31, 2017, despite the increased adjusted operating income and posting of gains on business reorganization and others for partial sales of shares of Agility Trains West (Holdings) Limited stock. The decrease was due mainly to impairment losses recognized as the result of the suspension of the UK nuclear power stations construction project.

(Electronic Systems & Equipment)

Revenues decreased 9% to ¥693.0 billion, as compared with the nine months ended December 31, 2017, despite increased revenues at Hitachi High-Technologies Corporation owing to higher sales of clinical analyzers and semi-conducter processing equipment and increased revenues in healthcare business owing to higher sales of radiation therapy systems. The decrease was due mainly to conversion of Hitachi Kokusai Electric Inc. into an equity-method associate.

Adjusted operating income decreased ¥0.7 billion to ¥55.1 billion, as compared with the nine months ended December 31, 2017, due mainly to conversion of Hitachi Kokusai Electric Inc. into an equity-method associate, despite increased revenues at Hitachi High-Technologies Corporation and in healthcare business.

EBIT decreased ¥4.7 billion to ¥51.9 billion, as compared with the nine months ended December 31, 2017.

(Construction Machinery)

Revenues increased 9% to ¥743.1 billion, as compared with the nine months ended December 31, 2017, due mainly to increased sales of construction machinery in Asia-Pacific and North America.

Adjusted operating income increased ¥19.0 billion to ¥84.3 billion, as compared with the nine months ended December 31, 2017, due mainly to the increased revenues.

EBIT increased ¥9.6 billion to ¥80.1 billion, as compared with nine months ended December 31, 2017, due mainly to the increased adjusted operating income, despite the effect of posting of exchange loss and structural reform expenses.

(High Functional Materials & Components)

Revenues increased 5% to ¥1,297.8 billion, as compared with the nine months ended December 31, 2017, due mainly to the effect of corporate acquisition by Hitachi Chemical Company, Ltd. and Hitachi Metals, Ltd., and sales price rise linked to higher raw material costs at Hitachi Metals, Ltd.

Adjusted operating income decreased ¥11.1 billion to ¥82.0 billion, as compared with the nine months ended December 31, 2017, due mainly to effects of changes in product mix and an increase in raw material costs at Hitachi Chemical Company, Ltd., and decrease in demand for factory automation-related materials and materials for semiconductors and electronics products at Hitachi Metals, Ltd.

EBIT decreased ¥12.5 billion to ¥72.6 billion, as compared with nine months ended December 31, 2017, due mainly to the decreased adjusted operating income and posting of impairment losses at Hitachi Metals, Ltd.

(Automotive Systems)

Revenues decreased 2% to ¥726.8 billion, as compared with the nine months ended December 31, 2017, due mainly to sales decrease in China and North America and lower sales of car information systems.

Adjusted operating income decreased ¥14.7 billion to ¥18.6 billion, as compared with the nine months ended December 31, 2017, due mainly to the decrease in revenues and deteriorated profitability in North America.

EBIT was net loss of ¥16.4 billion for the nine months ended December 31, 2018, as compared with net earnings of ¥30.1 billion for the nine months ended December 31, 2017, due mainly to the decreased adjusted operating income and posting of structural reform expenses.

(Smart Life & Ecofriendly Systems)

Revenues decreased 12% to ¥352.8 billion, as compared with the nine months ended December 31, 2017.

Adjusted operating income decreased ¥5.8 billion to ¥9.6 billion, as compared with the nine months ended December 31, 2017, due mainly to an increase in raw material price, the impact of foreign currency translation, and declines in prices of home appliances in Japan.

EBIT decreased ¥6.2 billion to ¥18.3 billion, as compared with the nine months ended December 31, 2017, due mainly to the decreased adjusted operating income.

(Others)

Revenues decreased 2% to ¥395.3 billion, as compared with the nine months ended December 31, 2017.

Adjusted operating income increased ¥6.1 billion to ¥22.0 billion, and EBIT increased ¥6.6 billion to ¥24.2 billion, as compared with the nine months ended December 31, 2017, respectively.

Revenues by Market

Revenues in Japan increased 1% to ¥3,221.5 billion, as compared with the nine months ended December 31, 2017, due mainly to increased revenues in the Information & Telecommunication Systems segment and High Functional Materials & Components segment.

Overseas revenues increased 2% to ¥3,561.4 billion, as compared with the nine months ended December 31, 2017, due mainly to increased revenues in Europe, particularly in the Social Infrastructure & Industrial Systems segment due mainly to the sales growth in the railway systems business and increased revenues in North America mainly in the Social Infrastructure & Industrial Systems segment and Construction Machinery segment.

As a result, the ratio of overseas revenues to total revenues increased 1% to 53%, as compared with the nine months ended December 31, 2017.

(2) Analysis of Financial Condition and Cash Flows

Liquidity and Capital Resources

During the nine months ended December 31, 2018, there were no major changes in the Company's policies of maintaining liquidity and ensuring funds, efforts for improvement in fund management efficiency, and ideas regarding funding sources and fundraising.

Cash Flows

(Cash Flows from Operating Activities)

Net income in the nine months ended December 31, 2018 decreased by ¥186.9 billion, as compared with the nine months ended December 31, 2017. Net cash inflow from a change in trade receivables and contract assets* decreased by ¥102.5 billion, as compared with the nine months ended December 31, 2017. Net cash outflow from a change in trade payables and inventories increased by ¥102.4 billion and ¥32.1 billion, respectively, as compared with the nine months ended December 31, 2017.

As a result of the foregoing, net cash provided by operating activities was ¥202.3 billion in the nine months ended December 31, 2018, a decrease of ¥270.8 billion, compared with the nine months ended December 31, 2017.

* Due to the implementation of IFRS 15, "change in trade receivables" is presented as "change in trade receivables and contract assets" from the nine months ended December 31, 2018.

(Cash Flows from Investing Activities)

Net amount of investments related to property, plant and equipment** was ¥293.5 billion in the nine months ended December 31, 2018. This net sum decreased by ¥4.4 billion compared with the nine months ended December 31, 2017. Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the nine months ended December 31, 2018 increased by ¥1.6 billion, as compared with the nine months ended December 31, 2017. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the nine months ended December 31, 2018 decreased by ¥123.9 billion, as compared with the nine months ended December 31, 2017, in which expenses related to acquiring Sullair bussiness were paid.

As a result of the foregoing, net cash used in investing activities was ¥175.4 billion in the nine months ended December 31, 2018, a decrease of ¥138.7 billion compared with the nine months ended December 31, 2017.

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

(Cash Flows from Financing Activities)

Net cash inflow from a change in short-term debt in the nine months ended December 31, 2018 increased by ¥231.3 billion, as compared with the nine months ended December 31, 2017. Net cash outflow related to long-term debt*** in nine months ended December 31, 2018 decreased by ¥64.4 billion, as compared with the nine months ended December 31, 2017. Net cash outflow related to purchase of shares of consolidated subsidiaries from non-controlling interests increased by ¥132.6 billion, due mainly to the additional acquisition of shares of Ansaldo STS S.p.A.

As a result of the foregoing, net cash flows provided in financing activities was ¥3.8 billion in the nine months ended December 31, 2018, as compared with ¥142.4 billion of net cash outflow in the nine months ended December 31, 2017.

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

As a result of the foregoing, cash and cash equivalents as of December 31, 2018 was ¥708.7 billion, an increase of ¥10.7 billion from March 31, 2018. Free cash flows, the sum of cash flows from operating and investing activities, were an inflow of

¥26.8 billion in the nine months ended December 31, 2018, a decrease of ¥132.1 billion in the nine months ended December 31, 2017.

Assets, Liabilities and Equity

The following is an overview of Hitachi's assets, liabilities and equity as of December 31, 2018.

Total assets were ¥9,693.4 billion, a decrease of ¥413.1 billion from March 31, 2018. This was due mainly to impairment losses recognized owing to the suspension of the UK nuclear power stations construction project, the conversion of Hitachi Kokusai Electric Inc. to an equity-method associate, and cash collection of trade payables.

Total interest-bearing debt, the sum of short-term debt and long-term debt, was ¥1,324.8 billion, an increase of ¥274.5 billion from March 31, 2018. This was due mainly to an increase in short-term debt.

Total Hitachi, Ltd. stockholders' equity decreased by ¥135.7 billion from March 31, 2018, to ¥3,142.2 billion. The ratio of total Hitachi, Ltd. stockholders' equity to total assets was 32.4%, which was the same level as of March 31, 2018.

Non-controlling interests were ¥1,156.0 billion, a decrease of ¥77.5 billion from March 31, 2018.

Total equity was ¥4,298.3 billion, a decrease of ¥213.3 billion from March 31, 2018. The ratio of interest-bearing debt to total equity was 0.31, as compared with 0.23 as of March 31, 2018.

(3) Management Policy

There were no material changes in Hitachi's management policy during the nine months ended December 31, 2018.

(4) Challenges Hitachi Group Faces

1) Business and Financial Challenges Hitachi Group Faces

There were no material changes in Hitachi's business strategy during the nine months ended December 31, 2018.

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

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

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

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

(5) Research and Development

There were no material changes in the research and development of the Hitachi Group (the Company and consolidated subsidiaries) stated in the Annual Securities Report for the 149th business term pursuant to the Financial Instruments and Exchange Act of Japan. The Hitachi Group's R&D expenditures in the nine months ended December 31, 2018 were ¥234.1 billion, 3.5% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Nine months ended December 31, 2018
Information & Telecommunication Systems	34.6
Social Infrastructure & Industrial Systems	40.2
Electronic Systems & Equipment	32.7
Construction Machinery	18.0
High Functional Materials & Components	38.3
Automotive Systems	47.6
Smart Life & Ecofriendly Systems	5.9
Others	0.4
Corporate Items (Head Office and others)	16.0
Total	234.1

(6) Property, Plant and Equipment

The Company decided to suspend the UK nuclear power stations construction project on January 17, 2019. Consequently, impairment losses of ¥206.7 billion on the related assets of the project, including property, plant and equipment of Horizon Nuclear Power Limited, were recognized in the Social Infrastructure & Industrial Systems segment for the nine months ended December 31, 2018.

Details of impairment losses recognized for the project are described in "Condensed Quarterly Consolidated Financial Statements －Notes to Condensed Quarterly Consolidated Financial Statements －(10) Other Income and Expenses."

(7) Forward-Looking Statements

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

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

- economic conditions, including consumer spending and plant and equipment investment in Hitachi's major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi's assets and liabilities are denominated;
- uncertainty as to Hitachi's ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- credit conditions of Hitachi's customers and suppliers;
- fluctuations in product demand and industry capacity;

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

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

3. Material Agreements, etc.

(1) Absorption-type Company Split

On October 25, 2018, the Company decided to transfer its electrical systems business and machinery systems business to Hitachi Industrial Products, Ltd. by way of an absorption-type company split (the "Company Split") in order to strengthen the product business and executed an absorption-type company split agreement with Hitachi Industrial Products, Ltd. on February 6, 2019.

The details of the Company Split are as follows.

1) Company Split Method

This is an absorption-type company split under which the Company is the transferring company and Hitachi Industrial Products, Ltd. is the successor company.

2) Effective Date of the Company Split

April 1, 2019

3) Assets and Liabilities Transferred to the Successor Company (As of April 1, 2019 (forecast))

Assets: ¥68.5 billion
Liabilities: ¥37.0 billion

4) Details of Allotments

Hitachi Industrial Products, Ltd., the successor company, will issue 199,200 shares of common stock on April 1, 2019 and allocate all the shares to the Company, the transferring company.

5) Basis of Calculation for Allotment

As the Company holds all of issued shares of Hitachi Industrial Products, Ltd., it is considered appropriate that Hitachi Industrial Products, Ltd. issues 199,200 shares of common stock and allots all the shares to the Company.

6) Profile of the Successor Company after the Company Split

Name	Hitachi Industrial Products, Ltd.
Head office	3 Kanda Neribei-cho, Chiyoda-ku, Tokyo
Representative	President Keizo Kobayashi
Capital	¥10.0 billion
Business	Development, manufacture and sales of products and provision of services in the electrical system business and the machinery system business

(2) Business Acquisition

On December 17, 2018, the Company decided to acquire the power grids business from ABB Ltd (ABB) in order to strengthen and expand energy solutions business globally and executed an agreement regarding the acquisition with ABB. The Company plans to acquire an 80.1% stake in the company operating the power grids business that will be divested by ABB and make it a consolidated subsidiary of the Company in the first half of 2020. The amount of consideration is expected to be approximately USD 6.4 billion (approximately ¥710.4 billion).

III. Information on the Company

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

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	2,000,000,000
Total	2,000,000,000

(Note) Since the item of share consolidation (to consolidate every five Hitachi shares into one share and to change the total shares authorized to be issued by the Company from 10 billion shares to 2 billion shares) was approved at the general meeting of shareholders held on June 20, 2018, the total shares authorized to be issued by the Company decreased 8,000,000,000 shares and became 2,000,000,000 shares on October 1, 2018.

2) Issued shares

Class	Number of shares issued as of the end of third quarter (shares) (December 31, 2018)	Number of shares issued as of the filing date (shares) (Note 1, 2) (February 13, 2019)	Stock exchange on which the Company is listed	Description
Common stock	966,692,677	966,692,677	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares. (Note 3)
Total	966,692,677	966,692,677	–	–

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

2. On October 1, 2018, share consolidation was completed and the total number of issued shares became 966,692,677.

3. The number of shares per one unit changed from 1,000 shares to 100 shares on October 1, 2018.

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

1) Details of stock option plans

Not applicable.

2) Details of other stock acquisition rights, etc.

Not applicable.

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

Not applicable.

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

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From October 1, 2018 to December 31, 2018	(3,866,770,710)	966,692,677	—	458,790	—	176,757

(Note) As the result of the share consolidation on October 1, 2018, the total number of issued shares decreased 3,866,770,710 and became 966,692,677.

(5) Major shareholders

Not applicable.

(6) Information on voting rights

1) Issued shares

(As of September 30, 2018)

Classification	Number of shares (shares)		Number of voting rights	Description
Shares without voting right	—		—	—
Shares with restricted voting right (treasury stock, etc.)	—		—	—
Shares with restricted voting right (others)	—		—	—
Shares with full voting right (treasury stock, etc.)	Common stock	5,446,000	—	—
Shares with full voting right (others)	Common stock	4,807,648,000	4,807,648	—
Shares less than one unit	Common stock	20,369,387	—	—
Number of issued shares		4,833,463,387	—	—
Total number of voting rights	—		4,807,648	—

(Notes) 1. 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. On October 1, 2018, share consolidation was completed and the total number of issued shares became 966,692,677.

3. The number of shares per one unit changed from 1,000 shares to 100 shares on October 1, 2018.

2) Treasury stock, etc.

(As of September 30, 2018)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	5,280,000	―	5,280,000	0.11
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-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	―	5,446,000	―	5,446,000	0.11

2. Changes in Senior Management

Changes in senior managements from the filing date of the Annual Securities Report for the 149th business term to December 31, 2018 were as follows.

1) Resignation [Effective November 22, 2018]

Position	Responsibility	Name
Director	Member of Audit Committee	Kazuyuki Tanaka

2) The Number of Men and Women and Women's Percentage after Changes in Senior Management

Men: 42 persons, Women: 2 persons

(Women’s percentage to total number of Directors and Executive Officers: 5%)

IV. Financial Information

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

Part II Information on Guarantors, etc. for the Company

Not applicable.

Condensed Quarterly Consolidated Financial Statements

Condensed Quarterly Consolidated Statement of Financial Position

Millions of yen

	December 31, 2018	March 31, 2018
Assets		
Current assets		
Cash and cash equivalents	708,745	697,964
Trade receivables (notes 3 and 6)	-	2,501,414
Trade receivables and contract assets (notes 3 and 6)	2,212,661	-
Inventories	1,586,428	1,375,232
Investments in securities and other financial assets (notes 3 and 7)	321,812	373,324
Other current assets	250,177	203,866
Total current assets	5,079,823	5,151,800
Non-current assets		
Investments accounted for using the equity method	735,139	743,407
Investments in securities and other financial assets (notes 3 and 7)	564,530	716,431
Property, plant and equipment	1,948,086	2,124,827
Intangible assets	990,261	1,054,370
Other non-current assets	375,653	315,768
Total non-current assets	4,613,669	4,954,803
Total assets	9,693,492	10,106,603
Liabilities		
Current liabilities		
Short-term debt	397,391	121,439
Current portion of long-term debt (note 7)	177,789	117,191
Other financial liabilities (notes 3 and 7)	261,324	254,735
Trade payables	1,354,388	1,536,983
Accrued expenses	571,403	697,185
Advances received (note 3)	-	551,182
Contract liabilities (note 3)	606,306	-
Other current liabilities	376,043	516,679
Total current liabilities	3,744,644	3,795,394
Non-current liabilities		
Long-term debt (note 7)	749,640	811,664
Retirement and severance benefits	538,947	575,156
Other non-current liabilities (note 3)	361,890	412,718
Total non-current liabilities	1,650,477	1,799,538
Total liabilities	5,395,121	5,594,932
Equity		
Hitachi, Ltd. stockholders' equity		
Common stock	458,790	458,790
Capital surplus	489,060	575,809
Retained earnings (notes 3 and 8)	2,134,435	2,105,395
Accumulated other comprehensive income	63,888	142,167
Treasury stock, at cost	(3,893)	(4,137)
Total Hitachi, Ltd. stockholders' equity	3,142,280	3,278,024
Non-controlling interests	1,156,091	1,233,647
Total equity	4,298,371	4,511,671
Total liabilities and equity	9,693,492	10,106,603

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Nine months ended December 31, 2018 and 2017 Millions of yen

	2018	2017
Revenues (notes 3 and 9)	6,782,969	6,674,028
Cost of sales	(4,948,029)	(4,896,973)
Gross profit	1,834,940	1,777,055
Selling, general and administrative expenses	(1,300,400)	(1,302,504)
Other income (note 10)	108,784	4,613
Other expenses (note 10)	(360,615)	(52,624)
Financial income (note 11)	14,349	7,142
Financial expenses (note 11)	(2,077)	(6,302)
Share of profits (losses) of investments accounted for using the equity method	10,473	45,469
EBIT (Earnings before interest and taxes)	305,454	472,849
Interest income	16,711	10,821
Interest charges	(15,404)	(15,518)
Income from continuing operations, before income taxes	306,761	468,152
Income taxes	(137,541)	(116,464)
Income from continuing operations	169,220	351,688
Income (loss) from discontinued operations (note 12)	(4,404)	98
Net income	164,816	351,786
Net income attributable to:		
Hitachi, Ltd. stockholders	82,627	258,582
Non-controlling interests	82,189	93,204
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders (note 13)		Yen
Basic	90.13	267.70
Diluted	90.06	267.45
Earnings per share attributable to Hitachi, Ltd. stockholders (note 13)		
Basic	85.57	267.80
Diluted	85.50	267.55

Condensed Quarterly Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2018 and 2017 Millions of yen

	2018	2017
Net income	164,816	351,786
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(60,405)	13,632
Remeasurements of defined benefit plans	-	(505)
Share of OCI of investments accounted for using the equity method	(1,488)	1,438
Total items not to be reclassified into net income	(61,893)	14,565
Items that can be reclassified into net income		
Foreign currency translation adjustments	(24,881)	82,338
Net changes in cash flow hedges	(1,855)	1,426
Share of OCI of investments accounted for using the equity method	20,192	(12)
Total items that can be reclassified into net income	(6,544)	83,752
Other comprehensive income (OCI)	(68,437)	98,317
Comprehensive income	96,379	450,103
Comprehensive income attributable to:		
Hitachi, Ltd. stockholders	25,247	324,628
Non-controlling interests	71,132	125,475

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Three months ended December 31, 2018 and 2017 — Millions of yen

	2018	2017
Revenues (note 3)	2,291,135	2,297,561
Cost of sales	(1,668,547)	(1,691,374)
Gross profit	622,588	606,187
Selling, general and administrative expenses	(432,638)	(434,879)
Other income	73,202	2,604
Other expenses	(316,279)	(11,685)
Financial income	858	2,277
Financial expenses	(1,918)	(12,124)
Share of profits (losses) of investments accounted for using the equity method	7,307	23,977
EBIT (Earnings before interest and taxes)	(46,880)	176,357
Interest income	6,473	4,097
Interest charges	(5,752)	(5,364)
Income (loss) from continuing operations, before income taxes	(46,159)	175,090
Income taxes	(44,790)	(43,609)
Income (loss) from continuing operations	(90,949)	131,481
Income (loss) from discontinued operations	(401)	1,372
Net income (loss)	(91,350)	132,853
Net income (loss) attributable to:		
Hitachi, Ltd. stockholders	(110,368)	97,969
Non-controlling interests	19,018	34,884
Earnings (loss) per share from continuing operations, attributable to Hitachi, Ltd. stockholders (note 13)		Yen
Basic	(113.88)	100.04
Diluted	(113.88)	99.95
Earnings (loss) per share attributable to Hitachi, Ltd. stockholders (note 13)		
Basic	(114.30)	101.46
Diluted	(114.30)	101.37

Condensed Quarterly Consolidated Statement of Comprehensive Income

Three months ended December 31, 2018 and 2017 — Millions of yen

	2018	2017
Net income (loss)	(91,350)	132,853
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(36,655)	7,210
Remeasurements of defined benefit plans	-	(505)
Share of OCI of investments accounted for using the equity method	(1,909)	588
Total items not to be reclassified into net income	(38,564)	7,293
Items that can be reclassified into net income		
Foreign currency translation adjustments	(59,269)	25,879
Net changes in cash flow hedges	1,376	2,098
Share of OCI of investments accounted for using the equity method	9,550	(9,496)
Total items that can be reclassified into net income	(48,343)	18,481
Other comprehensive income (OCI)	(86,907)	25,774
Comprehensive income(loss)	(178,257)	158,627
Comprehensive income(loss) attributable to:		
Hitachi, Ltd. stockholders	(179,221)	112,368
Non-controlling interests	964	46,259

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Changes in Equity

Nine months ended December 31, 2018

Millions of yen

2018	Common stock	Capital surplus (note 5)	Retained earnings (note 8)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 5)	Total equity
Balance at beginning of period	458,790	575,809	2,105,395	142,167	(4,137)	3,278,024	1,233,647	4,511,671
Cumulative effects of changes in accounting policies (note 3)	-	-	3,209	-	-	3,209	(1,406)	1,803
Restated balance	458,790	575,809	2,108,604	142,167	(4,137)	3,281,233	1,232,241	4,513,474
Changes in equity								
Reclassified into retained earnings	-	-	20,450	(20,450)	-	-	-	-
Net income	-	-	82,627	-	-	82,627	82,189	164,816
Other comprehensive loss	-	-	-	(57,380)	-	(57,380)	(11,057)	(68,437)
Dividends to Hitachi, Ltd. stockholders	-	-	(77,246)	-	-	(77,246)	-	(77,246)
Dividends to non-controlling interests	-	-	-	-	-	-	(37,940)	(37,940)
Acquisition of treasury stock	-	-	-	-	(198)	(198)	-	(198)
Sales of treasury stock	-	(237)	-	-	442	205	-	205
Changes in non-controlling interests	-	(86,512)	-	(449)	-	(86,961)	(109,342)	(196,303)
Total changes in equity	-	(86,749)	25,831	(78,279)	244	(138,953)	(76,150)	(215,103)
Balance at end of period	458,790	489,060	2,134,435	63,888	(3,893)	3,142,280	1,156,091	4,298,371

Nine months ended December 31, 2017

Millions of yen

2017	Common stock	Capital surplus	Retained earnings (note 8)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of period	458,790	577,573	1,793,570	141,068	(3,916)	2,967,085	1,129,910	4,096,995
Changes in equity								
Reclassified into retained earnings	-	-	11,048	(11,048)	-	-	-	-
Net income	-	-	258,582	-	-	258,582	93,204	351,786
Other comprehensive income	-	-	-	66,046	-	66,046	32,271	98,317
Dividends to Hitachi, Ltd. stockholders	-	-	(67,591)	-	-	(67,591)	-	(67,591)
Dividends to non-controlling interests	-	-	-	-	-	-	(31,427)	(31,427)
Acquisition of treasury stock	-	-	-	-	(232)	(232)	-	(232)
Sales of treasury stock	-	(24)	-	-	56	32	-	32
Changes in non-controlling interests	-	(1,575)	-	(1,839)	-	(3,414)	4,972	1,558
Total changes in equity	-	(1,599)	202,039	53,159	(176)	253,423	99,020	352,443
Balance at end of period	458,790	575,974	1,995,609	194,227	(4,092)	3,220,508	1,228,930	4,449,438

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Cash flows

Nine months ended December 31, 2018 and 2017

	Millions of yen	
	2018	2017
Cash flows from operating activities:		
Net income	164,816	351,786
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	270,807	271,944
Impairment losses	322,335	2,297
Income taxes	134,935	116,473
Share of (profits) losses of investments accounted for using the equity method	(10,473)	(45,469)
Financial income and expenses	(4,872)	(2,200)
Net (gain) loss on business reorganization and others	(82,376)	(2,746)
(Gain) loss on sale of property, plant and equipment	(24,139)	73
Change in trade receivables	-	369,035
Change in trade receivables and contract assets	266,479	-
Change in inventories	(353,866)	(321,693)
Change in other assets	(40,865)	(28,153)
Change in trade payables	(101,345)	1,146
Change in retirement and severance benefits	(23,916)	(20,484)
Change in other liabilities	(162,777)	(36,370)
Other	(1,441)	(9,984)
Subtotal	353,302	645,655
Interest received	15,806	10,815
Dividends received	16,552	16,695
Interest paid	(17,099)	(16,746)
Income taxes paid	(166,210)	(183,209)
Net cash provided by (used in) operating activities	202,351	473,210
Cash flows from investing activities:		
Purchase of property, plant and equipment (note 2)	(293,081)	(253,310)
Purchase of intangible assets (note 2)	(60,830)	(62,860)
Proceeds from sale of property, plant and equipment, and intangible assets (note 2)	60,349	18,172
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(41,149)	(165,074)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	161,237	159,572
Other	(2,021)	(10,738)
Net cash provided by (used in) investing activities	(175,495)	(314,238)
Cash flows from financing activities:		
Change in short-term debt, net	278,748	47,405
Proceeds from long-term debt	84,724	137,479
Payments on long-term debt	(109,023)	(226,223)
Proceeds from payments from non-controlling interests	4,949	3,953
Dividends paid to Hitachi, Ltd. stockholders	(77,264)	(67,614)
Dividends paid to non-controlling interests	(39,363)	(31,126)
Acquisition of common stock for treasury	(198)	(232)
Proceeds from sales of treasury stock	205	37
Purchase of shares of consolidated subsidiaries from non-controlling interests	(138,894)	(6,234)
Proceeds from partial sales of shares of consolidated subsidiaries to non-controlling interests	-	205
Other	(27)	(63)
Net cash provided by (used in) financing activities	3,857	(142,413)
Effect of exchange rate changes on cash and cash equivalents	(19,932)	29,523
Change in cash and cash equivalents	10,781	46,082
Cash and cash equivalents at beginning of period	697,964	765,242
Cash and cash equivalents at end of period	708,745	811,324

See accompanying notes to condensed quarterly consolidated financial statements.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2018

(1) Nature of Operations

Hitachi, Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The condensed quarterly consolidated financial statements of the Company as of and for the nine months ended December 31, 2018 comprise the Company, its subsidiaries and the Company's interests in associates and joint ventures. The Company's and its subsidiaries' businesses are global and diverse, and include manufacturing and services in eight segments consisting of information and telecommunication systems, social infrastructure and industrial systems, electronic systems and equipment, construction machinery, high functional materials and components, automotive systems, smart life and ecofriendly systems and others.

(2) Basis of Presentation

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

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

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

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

Regarding the condensed quarterly consolidated statement of cash flows, changes in presentation have been made effective the fiscal year beginning April 1, 2018 due to materiality of some cash-flow items as a result of business reorganization and others. "Purchase of leased assets", which was separately presented, has been included in "Purchase of property, plant and equipment" or "Purchase of intangible assets". "Proceeds from sale of leased assets", which were separately presented, have been included in "Proceeds from sale of property, plant and equipment, and intangible assets". The condensed quarterly consolidated statement of cash flows for the nine months ended December 31, 2017 has been reclassified in order to reflect these changes in presentation.

As a result, regarding the condensed quarterly consolidated statement of cash flows for the nine months ended December 31, 2017, "Purchase of leased assets" of ¥2,205 million and ¥448 million has been reclassified as "Purchase of property, plant and equipment" and "Purchase of intangible assets" respectively. In addition, "Proceeds from sale of leased assets" of ¥7,118 million have been reclassified as "Proceeds from sale of property, plant and equipment, and intangible assets".

(3) Significant Accounting Policies

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

(a) Financial Instruments

(i) Non-derivative Financial Assets

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

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

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

Financial Assets Measured at Amortized Cost

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

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

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

FVTOCI Financial Assets

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

FVTPL Financial Assets

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

Impairment of Financial Assets

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

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

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

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

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

(ii) Non-derivative Financial Liabilities

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

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

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

(iii) Derivatives and Hedge Accounting

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

The Company accounts for hedging derivatives as follows:

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

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

(iv) Offsetting Financial Assets and Liabilities

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

(v) Changes in Accounting Policies

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

(b) Revenue Recognitions

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

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

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

Changes in Accounting Policies

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

Primarily in a transaction whereby the Company provides a customer with a combination of multiple elements such as goods, services or right to use assets, the transaction price is allocated to each performance obligation based on the stand-alone selling price then revenue is recognized in accordance with the five-step approach even if no fair value is available. However, the effect of adopting this standard on the Company's financial position as of December 31, 2018 and operating results for the nine months then ended is not material, compared with the application of the previous accounting standard.

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

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

Income taxes for the nine months ended December 31, 2018 are computed using the estimated annual effective tax rate.

(4) Segment Information

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

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

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

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

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

Construction Machinery:
Hydraulic excavators, Wheel loaders and Mining machinery

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

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

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

Others:
Optical disk drives, Property management and others

The following tables show business segment information for the nine months ended December 31, 2018 and 2017.

Revenues from Outside Customers

Millions of yen

	2018	2017
Information & Telecommunication Systems	1,361,333	1,320,736
Social Infrastructure & Industrial Systems	1,547,312	1,465,037
Electronic Systems & Equipment	615,917	683,546
Construction Machinery	742,898	683,503
High Functional Materials & Components	1,256,425	1,191,538
Automotive Systems	721,254	735,479
Smart Life & Ecofriendly Systems	329,572	377,093
Others	199,450	212,199
Subtotal	6,774,161	6,669,131
Corporate items	8,808	4,897
Total	6,782,969	6,674,028

Revenues from Intersegment Transactions

Millions of yen

	2018	2017
Information & Telecommunication Systems	89,497	92,312
Social Infrastructure & Industrial Systems	150,943	157,913
Electronic Systems & Equipment	77,115	79,714
Construction Machinery	294	399
High Functional Materials & Components	41,472	39,361
Automotive Systems	5,617	2,936
Smart Life & Ecofriendly Systems	23,324	22,464
Others	195,921	192,984
Subtotal	584,183	588,083
Corporate items and Eliminations	(584,183)	(588,083)
Total	-	-

Total Revenues

Millions of yen

	2018	2017
Information & Telecommunication Systems	1,450,830	1,413,048
Social Infrastructure & Industrial Systems	1,698,255	1,622,950
Electronic Systems & Equipment	693,032	763,260
Construction Machinery	743,192	683,902
High Functional Materials & Components	1,297,897	1,230,899
Automotive Systems	726,871	738,415
Smart Life & Ecofriendly Systems	352,896	399,557
Others	395,371	405,183
Subtotal	7,358,344	7,257,214
Corporate items and Eliminations	(575,375)	(583,186)
Total	6,782,969	6,674,028

Segment Profit (Loss)

Millions of yen

	2018	2017
Information & Telecommunication Systems	164,920	104,419
Social Infrastructure & Industrial Systems	(153,773)	57,526
Electronic Systems & Equipment	51,942	56,677
Construction Machinery	80,153	70,518
High Functional Materials & Components	72,644	85,204
Automotive Systems	(16,485)	30,122
Smart Life & Ecofriendly Systems	18,346	24,623
Others	24,267	17,577
Subtotal	242,014	446,666
Corporate items and Eliminations	63,440	26,183
Total	305,454	472,849
Interest income	16,711	10,821
Interest charges	(15,404)	(15,518)
Income from continuing operations, before income taxes	306,761	468,152

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

(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures for the nine months ended December 31, 2018, including the period up to the approval date of the condensed quarterly consolidated financial statements.

(a) Acquisition of ABB's power grids business

On December 17, 2018, the Company decided to acquire the power grids business from ABB Ltd (ABB) and signed an agreement with ABB in order to strengthen and expand energy solutions business globally. The Company plans to acquire an 80.1% stake in the company operating the power grids business that will be divested by ABB in the first half of 2020 and make it a consolidated subsidiary of the Company. The consideration is expected to be approximately USD 6.4 billion (approximately ¥710.4 billion).

(b) Additional acquisition of shares of Ansaldo STS S.p.A. (STS)

On October 29, 2018, the Company and Hitachi Rail Italy Investments S.r.l. (HRII), a consolidated subsidiary of the Company in the Social Infrastructure & Industrial Systems segment, signed an agreement with Elliott International, L.P., Elliott Associates, L.P. and The Liverpool Limited Partnership (together, "Elliott Selling Entities"), and Elliott Management Corporation for HRII to acquire the 31.8% stake in STS, a consolidated subsidiary of the Company in the Social Infrastructure & Industrial Systems segment, owned by Elliott Selling Entities. On November 2, 2018, the transaction was settled. Furthermore, HRII later acquired additional outstanding issued shares of STS. As a result, during the nine months ended December 31, 2018, the ownership ratio of shares of STS increased from 50.8% to 92.5%. The total consideration paid was EUR 1,060 million (¥135,335 million), and the Company recognized a decrease in the total of capital surplus and non-controlling interest by the same amount during the nine months ended December 31, 2018.
Additionally, HRII subsequently acquired all remaining outstanding issued shares of STS, and as a result, the ownership ratio of shares of STS increased to 100% on January 30, 2019.

(c) Sale of all shares of Clarion Co., Ltd. (Clarion)

On October 26, 2018, the Company signed a tender offer agreement with Hennape Six SAS (Hennape), a subsidiary of Faurecia S.A. (Faurecia), and Faurecia under which the Company agrees to tender all shares of common stock in Clarion held by the Company, in response to a tender offer to be carried out by Hennape for the shares of common stock of Clarion, a consolidated subsidiary of the Company in the Automotive Systems segment. Hennape commenced the tender offer on January 30, 2019, and the consideration to be received by the Company will be approximately ¥89.9 billion. The tender offer has not been completed as of the approval date of the condensed quarterly consolidated financial statements.

Assuming the tender offer is completed successfully, it is expected that the Company's ownership ratio of shares of Clarion will decrease from 63.8% to 0%, and Clarion will be deconsolidated. An expected gain on the sale of shares of Clarion in the amount of approximately ¥65 billion will be recognized in Other income in the consolidated statement of profit or loss.

On December 26, 2018, Faurecia S.A. changed its name to Faurecia S.E..

(d) Acquisition of Yungtay Engineering Co., Ltd. (Yungtay)

On October 26, 2018, the Company decided to conduct a tender offer to acquire all issued shares of Yungtay, an elevator and escalator company in Taiwan to enrich its product lineup and expand its new installation business with improved cost competitiveness in China and Asia and improve its profitability through increasing the number of maintenance units, and submitted a binding letter to Yungtay. Additionally, the Company signed a contract with Yungtay's Honorary Chairman who is a member of its founding family, whereby he will tender his 4.3% of shares in Yungtay, in the case of the tender offer by the Company. On January 17, 2019, the Company commenced the tender offer at a price of TWD 60.0 per share, through Hitachi Elevator Taiwan Co., Ltd., a consolidated subsidiary of the Company in the Social Infrastructure & Industrial Systems segment; however, the tender offer has not been completed as of the approval date of the condensed quarterly consolidated financial statements.

Assuming the tender offer is completed successfully, Yungtay will become either a consolidated subsidiary or an equity-method associate of the Company.

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

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

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

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

The following are the main Business Acquisitions and Divestitures for the nine months ended December 31, 2017.

(a) 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. In accordance with the agreement, on July 12, 2017 (the acquisition date), the Company and Hitachi America, Ltd., a subsidiary of the Company, acquired the Sullair business by acquiring all the shares of holding companies of the Sullair business.

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

	Millions of yen
Cash and cash equivalents	9,341
Trade receivables	9,351
Inventories	7,409
Other current assets	790
Non-current assets (excluding intangible assets)	10,102
Intangible assets	
Goodwill (deductible for tax purposes)	16,294
Goodwill (not deductible for tax purposes)	55,361
Other intangible assets	52,709
Total	161,357
Current liabilities	66,805
Non-current liabilities	1,264
Total	68,069
Cash paid for the acquisition	93,288

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

Hitachi America, Ltd. repaid USD 517 million (¥57,502 million) of loans which were included in the Sullair business, in addition to the acquisition.

The operating results of the Sullair business for the period from the acquisition date to December 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 the Sullair business of April 1, 2017 would not differ materially from the amounts reported in the condensed quarterly consolidated financial statements for the nine months ended December 31, 2017.

(6) Trade Receivables, Trade Receivables and Contract Assets

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

Millions of yen

	December 31, 2018	March 31, 2018
Accounts receivable	1,545,470	2,322,554
Contract assets	471,869	-
Others	195,322	178,860
Total trade receivables	-	2,501,414
Total trade receivables and contract assets	2,212,661	-

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

(7) Fair Value of Financial Instruments

(a) Fair Value Measurements

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

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

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

Investments in securities and other financial assets

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

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

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

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

Long-term debt

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

Other financial liabilities

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

(b) Financial Instruments Measured at Amortized Cost

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

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

Millions of yen

	December 31, 2018		March 31, 2018	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets				
Investments in securities and other financial assets				
Lease receivables	88,227	89,165	92,198	93,165
Debt securities	72,136	72,140	120,915	120,920
Long-term loans receivable	106,514	108,374	95,373	96,859
Liabilities				
Long-term debt [1]				
Lease obligations	51,256	51,420	49,478	49,723
Bonds	170,616	174,467	149,837	153,614
Long-term borrowings	705,557	710,055	729,540	734,912

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

(c) Financial Instruments Measured at Fair Value

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

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

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

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

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

December 31, 2018 — Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	-	-	2,136	2,136
Debt securities	9,731	4,848	10,605	25,184
Derivatives	-	45,626	6,907	52,533
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	175,311	-	111,121	286,432
Total financial assets at fair value	185,042	50,474	130,769	366,285
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	28,069	-	28,069
Total financial liabilities at fair value	-	28,069	-	28,069

March 31, 2018 — Millions of yen

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

The following tables present the changes in Level 3 instruments measured on a recurring basis for the nine months ended December 31, 2018 and 2017.

December 31, 2018 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	114,734	9,590	7,760	132,084
Gain (loss) in profit or loss [1]	68	67	(853)	(718)
Gain in OCI [2]	3,316	-	-	3,316
Purchases	2,032	2,413	-	4,445
Sales and redemption	(1,244)	(1,216)	-	(2,460)
Acquisitions and divestitures	(5,232)	(51)	-	(5,283)
Transfer from Level 3 [3]	(378)	-	-	(378)
Other	(39)	(198)	-	(237)
Balance at end of period	113,257	10,605	6,907	130,769
Unrealized gain (loss) relating to financial assets held at end of period [4]	68	66	(853)	(719)

December 31, 2017 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	110,470	8,991	6,061	125,522
Gain (loss) in profit or loss [1]	35	(60)	72	47
Gain in OCI [2]	6,262	-	-	6,262
Purchases	3,148	593	1,706	5,447
Sales and redemption	(4,736)	(595)	-	(5,331)
Acquisitions and divestitures	254	(20)	-	234
Other	231	23	-	254
Balance at end of period	115,664	8,932	7,839	132,435
Unrealized gain relating to financial assets held at end of period [4]	35	7	72	114

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

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

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

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

Written put options on non-controlling interests of subsidiaries are not included in the above table. Such put options are classified as Level 3 financial liabilities measured on a recurring basis, and changes in fair value are recognized in Capital surplus. The fair value of the put options above as of December 31 and March 31, 2018 were ¥16,383 million and ¥17,098 million, respectively, included in Other financial liabilities in the condensed quarterly consolidated statement of financial position.

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

(8) Dividends

Dividends paid on the Company's common stock for the nine months ended December 31, 2018 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 10, 2018	38,621	Retained earnings	8.0	March 31, 2018	May 29, 2018
The Board of Directors on October 26, 2018	38,625	Retained earnings	8.0	September 30, 2018	November 27, 2018

Dividends paid on the Company's common stock for the nine months ended December 31, 2017 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 12, 2017	33,796	Retained earnings	7.0	March 31, 2017	May 29, 2017
The Board of Directors on October 26, 2017	33,795	Retained earnings	7.0	September 30, 2017	November 28, 2017

Note : Dividends per share do not reflect the share consolidation effective on October 1, 2018, since the record date was September 30, 2018.

(9) Revenues

(a) Disaggregation of revenue

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

(Millions of yen)

December 31, 2018							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
Information & Telecommunication Systems	1,014,132	129,221	149,641	125,250	32,586	436,698	1,450,830
Social Infrastructure & Industrial Systems	854,890	405,091	85,954	295,925	56,395	843,365	1,698,255
Electronic Systems & Equipment	273,414	238,094	64,249	91,968	25,307	419,618	693,032
Construction Machinery	145,546	194,602	124,207	101,074	177,763	597,646	743,192
High Functional Material & Components	532,683	384,468	268,410	91,290	21,046	765,214	1,297,897
Automotive Systems	316,006	131,074	195,740	43,197	40,854	410,865	726,871
Smarts Life & Ecofriendly Systems	281,986	54,599	1,061	2,450	12,800	70,910	352,896
Others	316,390	51,360	15,279	7,661	4,681	78,981	395,371
Subtotal	3,735,047	1,588,509	904,541	758,815	371,432	3,623,297	7,358,344
Corporate items and Eliminations	(513,511)	(41,782)	(8,554)	(8,656)	(2,872)	(61,864)	(575,375)
Total	3,221,536	1,546,727	895,987	750,159	368,560	3,561,433	6,782,969

The Information & Telecommunication Systems segment consists of Front Business and IT Platform & Products, for which revenue amounted to 1,023,178 million yen and 537,787 million yen, respectively (including intersegment transactions). Front Business is operated mainly in Japan, and IT Platform & Products is operated mainly in Japan, North America and Europe.

(b) Information about satisfaction of performance obligations

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

(Information & Telecommunication Systems)

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

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

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

(Social Infrastructure & Industrial Systems)

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

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

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

(Other)

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

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

(10) Other Income and Expenses

The main components of other income and expenses for the nine months ended December 31, 2018 and 2017 are as follows:

Millions of yen

	2018	2017
Net gain (loss) on sales and disposals of fixed assets	23,668	(137)
Impairment losses	(322,335)	(2,297)
Net gain (loss) on business reorganization and others	82,376	2,746
Special termination benefits	(9,584)	(5,493)
Expenses related to competition law and others	(1,730)	(13,839)

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

Restructuring charges (structural reform expenses) included in other expenses for the nine months ended December 31, 2018 and 2017 were ¥332,462 million and ¥7,790 million, respectively. Restructuring charges (structural reform expenses) mainly include impairment losses and special termination benefits.

Impairment losses for the nine months ended December 31, 2018 include impairment losses due to the suspension of the UK nuclear power stations construction project (the project). The Company decided to suspend the project from the view point of its economic rationality as a private enterprise at the Board of Directors meeting held on January 17, 2019, as it is clear that further time is needed to develop a financial structure for the project and conditions for building and operating the nuclear power stations to secure its business continuation. Consequently, the Social Infrastructure & Industrial System segment recognized impairment losses of ¥277,208 million on the related assets of the project. These consisted of impairment losses on property, plant and equipment of ¥206,799 million and on intangible assets of ¥70,409 million. The recoverable amount of the CGU was measured at ¥2,494 million on the basis of fair value less costs of disposal as of December 31, 2018. A market approach was mainly 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 amounts of contract termination costs, etc. due to the suspension of the project that the Company plans to post for the three months ending March 31, 2019 are currently being evaluated.

(11) Financial Income and Expenses

The main components of financial income and expenses for the nine months ended December 31, 2018 and 2017 are as follows:

Millions of yen

	2018	2017
Dividends received	5,060	5,515
Exchange gain (loss)	9,289	(5,537)

Dividends received for the nine months ended December 31, 2018 and 2017 are from FVTOCI financial assets.

(12) Discontinued Operations

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

Profit or loss and cash flows from the discontinued operations for the nine months ended December 31, 2018 and 2017 are as follows:

Millions of yen

	2018	2017
Profit or loss from discontinued operations		
Revenues	(6,429)	452
Cost of sales and expenses	(581)	(345)
Income (loss) from discontinued operations, before income taxes	(7,010)	107
Income taxes	2,606	(9)
Income (loss) from discontinued operations	(4,404)	98

Millions of yen

	2018	2017
Cash flows from discontinued operations		
Cash flows from operating activities	(17,236)	1,929
Cash flows from investing activities	-	(5)
Cash flows from financing activities	16,793	(1,037)

(13) Earnings Per Share (EPS) Information

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the nine months ended December 31, 2018 and 2017 are as follows:

Nine months ended December 31

Number of shares

	2018	2017
Weighted average number of shares on which basic EPS is calculated	965,637,627	965,584,079
Effect of dilutive securities		
Stock options	759,283	887,751
Number of shares on which diluted EPS is calculated	966,396,910	966,471,830

Millions of yen

	2018	2017
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	87,031	258,484
Effect of dilutive securities	-	-
Diluted	87,031	258,484
Net income (loss) from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(4,404)	98
Effect of dilutive securities	-	-
Diluted	(4,404)	98
Net income attributable to Hitachi, Ltd. stockholders		
Basic	82,627	258,582
Effect of dilutive securities	-	-
Diluted	82,627	258,582

Yen

	2018	2017
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	90.13	267.70
Diluted	90.06	267.45
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(4.56)	0.10
Diluted	(4.56)	0.10
EPS attributable to Hitachi, Ltd. stockholders		
Basic	85.57	267.80
Diluted	85.50	267.55

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

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the three months ended December 31, 2018 and 2017 are as follows:

Three months ended December 31

Number of shares

	2018	2017
Weighted average number of shares on which basic EPS is calculated	965,617,891	965,562,937
Effect of dilutive securities		
Stock options	-	896,080
Number of shares on which diluted EPS is calculated	965,617,891	966,459,017

Millions of yen

	2018	2017
Net income (loss) from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	(109,967)	96,597
Effect of dilutive securities	-	-
Diluted	(109,967)	96,597
Net income (loss) from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(401)	1,372
Effect of dilutive securities	-	-
Diluted	(401)	1,372
Net income (loss) attributable to Hitachi, Ltd. stockholders		
Basic	(110,368)	97,969
Effect of dilutive securities	-	-
Diluted	(110,368)	97,969

Yen

	2018	2017
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	(113.88)	100.04
Diluted	(113.88)	99.95
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(0.42)	1.42
Diluted	(0.42)	1.42
EPS attributable to Hitachi, Ltd. stockholders		
Basic	(114.30)	101.46
Diluted	(114.30)	101.37

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

2. Stock options are excluded from the calculations of diluted EPS attributable to Hitachi, Ltd. stockholders for the three months ended December 31, 2018 because they are antidilutive.

(14) Contingencies

(a) Litigation

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

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

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

In November 2017, a subsidiary in Japan received a complaint that was filed against three companies, namely a construction company of a condominium complex, the subsidiary and a secondary subcontractor, by a contractee in Japan seeking approximately ¥45.9 billion in compensation for expenses allegedly incurred arising from concerns over partial deficiencies of piling work during the construction phases of the condominium complex, which the subsidiary contracted as the primary subcontractor. In July 2018, the compensation claim against these three companies was amended to approximately ¥51.0 billion by the contractee.
In relation to the aforementioned lawsuit, in April 2018, the subsidiary in Japan received a complaint that was filed against the subsidiary and the secondary subcontractor, by the construction company of the condominium complex seeking approximately ¥49.6 billion in compensation for expenses allegedly incurred arising from the aforementioned lawsuit. In July 2018, the compensation claim against these two companies was amended to approximately ¥54.8 billion by the construction company of the condominium complex. Although the subsidiary in Japan will address these claims and explain its position, there can be no assurance that it will not be held liable for any amounts claimed.

In December 2017, a subsidiary and an associate in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of EUR 263 million (¥33,407 million) and interest allegedly incurred by performance defects of a power plant. In addition, in July 2018, the subsidiary and the associate in Europe received a complaint requesting additional compensation for consequential losses of EUR 6 million (¥881 million). Although the subsidiary and the associate in Europe will vigorously defend themselves against this lawsuit, there can be no assurance that they will not be held liable for any amounts claimed.

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

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

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

(b) Other

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

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

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

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

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

In June 2018, Hitachi Chemical Company, Ltd. (hereinafter "Hitachi Chemical"), a consolidated subsidiary of the Company, found that, for certain products of the industrial-use lead-acid batteries business, pre-shipment testing to measure battery capacity was performed in a different manner from that which had been originally agreed upon with customers, and inspection reports containing different data from measurement results were provided to customers. Given the circumstances, Hitachi Chemical set up a special investigation committee in July 2018, and its investigations have revealed that, in addition to the cases for certain lead-acid batteries for industrial use, product testing, etc. for certain other products had been also inappropriately performed. Hitachi Chemical has provided successive explanations to customers, and received an investigation report from the special investigation committee in November 2018. Hitachi Chemical has been conducting an internal investigation into its subsidiaries, etc. as the investigation report specified that it proceed with such an investigation. The outcome of the internal investigation or discussions with customers may adversely affect the consolidated financial position or results of operations in the future. As it is not possible to reasonably estimate the impact on the consolidated financial statements at this time, no amount has been reflected in the condensed quarterly consolidated financial statements.

(15) Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements were approved on February 13, 2019 by Toshiaki Higashihara, President and CEO of the Company.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	February 13, 2019
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & CEO
[Name and title of CFO]	Mitsuaki Nishiyama, Senior Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

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

Mr. Toshiaki Higashihara, President & CEO, and Mr. Mitsuaki Nishiyama, Senior Vice President and Executive Officer, confirmed that statements contained in the Quarterly Report for the third quarter of the 150th fiscal year (from October 1, 2018 to December 31, 2018) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.