[Translation]

Quarterly Report

(The Third Quarter of 151st Business Term)

From October 1, 2019 to December 31, 2019

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 10, 2020
[Fiscal Year]	The Third Quarter of 151st Business Term (from October 1, 2019 to December 31, 2019)
[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, 2018	Nine months ended December 31, 2019	Year ended March 31, 2019
Revenues	6,782,969 [2,291,135]	6,344,181 [2,122,854]	9,480,619
Income from continuing operations, before income taxes	306,761	52,121	516,502
Net income (loss) attributable to Hitachi, Ltd. stockholders	82,627 [(110,368)]	55,146 [(134,147)]	222,546
Comprehensive income attributable to Hitachi, Ltd. stockholders	25,247	65,516	171,140
Total Hitachi, Ltd. stockholders' equity	3,142,280	3,229,473	3,262,603
Total equity	4,298,371	4,362,253	4,414,403
Total assets	9,693,492	10,281,357	9,626,592
Earnings (loss) per share attributable to Hitachi, Ltd. stockholders, basic (yen)	85.57 [(114.30)]	57.10 [(138.91)]	230.47
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	85.50	57.03	230.25
Total Hitachi, Ltd. stockholders' equity ratio (%)	32.4	31.4	33.9
Net cash provided by operating activities	202,351	307,847	610,025
Net cash used in investing activities	(175,495)	(492,022)	(162,872)
Net cash provided by (used in) financing activities	3,857	86,883	(320,426)
Cash and cash equivalents at end of period	708,745	694,460	807,593

(Notes) 1. Hitachi's consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.
2. Revenues do not include the consumption tax, etc.
3. The figures of "Revenues," "Net income (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, 2018 and 2019, respectively.
4. On October 1, 2018, the Company completed the share consolidation of every five (5) shares of common stock into one (1) share. The figures for basic and diluted earnings (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, 2019.

2. Description of Business

There were no material changes in principal businesses of Hitachi during the nine months ended December 31, 2019. The Hitachi Group is comprised of the Company, 824 consolidated subsidiaries, and 452 equity-method associates and joint-ventures.

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

Major business and the positioning of principal affiliated companies in each segment and changes in principal affiliated companies during the nine months ended December 31, 2019 were as follows. The Company mainly engages in manufacturing and sales of products and providing services in the segments of IT, Energy, Industry, Mobility and Smart Life.

(As of December 31, 2019)

Main products and services	Positioning of principal affiliated companies	
	Manufacturing	Sales and services
IT Systems Integration, Consulting, Control Systems, Cloud Services, Software, IT Products (Storage, Servers), ATMs	[Consolidated subsidiaries] Hitachi Information & Telecommunication Engineering, Ltd. Hitachi-Omron Terminal Solutions, Corp. Hitachi Computer Products (America), Inc.	[Consolidated subsidiaries] Hitachi Solutions, Ltd. Hitachi Systems, Ltd. Hitachi Consulting Corporation (Note 2) Hitachi Global Digital Holdings Corporation Hitachi Payment Services Private Limited Hitachi Vantara Corporation (Note 2)
Energy Power Generation Systems (Nuclear, Renewable Energy, Thermal), Power Grid Systems	[Consolidated subsidiaries] Hitachi-GE Nuclear Energy, Ltd. [Equity-method associates] Mitsubishi Hitachi Power Systems, Ltd.	[Consolidated subsidiaries] Hitachi Plant Construction, Ltd. Hitachi Power Solutions Co., Ltd.
Industry Industry & Distribution Systems, Water & Environment Systems, Industrial Machinery	[Consolidated subsidiaries] Hitachi Industrial Equipment Systems Co., Ltd. Hitachi Industrial Products, Ltd. (Note 3) [Equity-method associates] Hitachi Kokusai Electric Inc.	[Consolidated subsidiaries] Hitachi Industry & Control Solutions, Ltd. Hitachi Plant Services Co., Ltd. JR Technology Group, LLC (Note 4) Sullair US Purchaser, Inc.
Mobility Building Systems (Elevators, Escalators), Railway Systems	[Consolidated subsidiaries] Hitachi Elevator (China) Co., Ltd.	[Consolidated subsidiaries] Hitachi Building Systems Co., Ltd. Hitachi Rail Ltd. (Note 5)
Smart Life Medical Electronics, Smart Life & Ecofriendly Systems (Refrigerators, Washing Machines, Room Air Conditioners, Air-Conditioning Equipment), Automotive Systems (Powertrain Systems, Chassis Systems, Advanced Driver Assistance Systems)	[Consolidated subsidiaries] Hitachi Automotive Systems, Ltd. Hitachi Global Life Solutions, Inc. (Note 6) Hitachi Automotive Systems Americas, Inc. Hitachi Consumer Products (Thailand), Ltd.	[Equity-method associates] Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd
Hitachi High-Technologies Medical and Life Science Products, Analytical Equipment, Semiconductor Processing Equipment, Manufacturing and Inspection Equipment, Advanced Industrial Products	[Consolidated subsidiaries] Hitachi High-Technologies Corporation	
Hitachi Construction Machinery Hydraulic Excavators, Wheel Loaders, Mining Machinery, Maintenance and Services, Construction Solutions, Mine Management Systems	[Consolidated subsidiaries] Hitachi Construction Machinery Co., Ltd.	
Hitachi Metals Specialty Steel Products, Functional Components and Equipment, Magnetic Materials and Power Electronics Materials, Wires, Cables and Related Products	[Consolidated subsidiaries] Hitachi Metals, Ltd.	
Hitachi Chemical Functional Materials (Electronics Materials, Printed Wiring Boards Materials, Electronics Components), Advanced Components and Systems (Mobility Components, Energy Storage Devices, Life Science-related Products)	[Consolidated subsidiaries] Hitachi Chemical Company, Ltd.	
Others Optical Disk Drives, Property Management	[Consolidated subsidiaries] Hitachi-LG Data Storage, Inc.	[Consolidated subsidiaries] Hitachi Life, Ltd. Hitachi Urban Investment, Ltd. Hitachi America, Ltd. Hitachi Asia Ltd. Hitachi (China), Ltd. Hitachi Europe Ltd. Hitachi India Pvt. Ltd.

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

2. Hitachi Vantara Corporation and Hitachi Consulting Corporation were merged into Hitachi Vantara LLC as of January 1, 2020.
3. Hitachi Industrial Products, Ltd. is the company which succeeded the electrical systems business and machinery systems business through absorption-type company split from the Company on April 1, 2019.
4. JR Technology Group, LLC has become a consolidated subsidiary of the Company on December 27, 2019 as Hitachi America, Ltd., a consolidated subsidiary of the Company, acquired all interests of JR Technology Group, LLC from JR Intermediate Holdings, LLC.
5. Hitachi Rail Europe Ltd. changed its company name to Hitachi Rail Ltd. on April 1, 2019.
6. Hitachi Appliances, Inc. merged with Hitachi Consumer Marketing, Inc. and changed its company name to Hitachi Global Life Solutions, Inc. on April 1, 2019.
7. In addition to the table above, the major equity-method associates are Hitachi Capital Corporation and Hitachi Transport System, Ltd.

II. Business Overview

1. Risk Factors

There were no new risk factors recognized during the nine months ended December 31, 2019.

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

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

(1) Analysis of Results of Operations

Results of Operations

The results of operations in the nine months ended December 31, 2019 were as follows.

Revenues decreased 6% to ¥6,344.1 billion, as compared with the nine months ended December 31, 2018, due mainly to decreased revenues in the Smart Life segment, the Energy segment and Hitachi Metals. This decrease was partially offset by increased revenues in the IT segment and the Industry segment.

Cost of sales decreased 6% to ¥4,631.1 billion, as compared with the nine months ended December 31, 2018, and the ratio of cost of sales to revenues was 73%, which was the same level as for the nine months ended December 31, 2018. Gross profit decreased 7% to ¥1,712.9 billion, as compared with the nine months ended December 31, 2018.

Selling, general and administrative expenses ("SG&A") decreased 3% to ¥1,267.3 billion, as compared with the nine months ended December 31, 2018, and the ratio of SG&A to revenues increased 1% to 20%, as compared with the nine months ended December 31, 2018.

Adjusted operating income (presented as revenues less cost of sales as well as SG&A) decreased ¥88.9 billion to ¥445.6 billion, as compared with the nine months ended December 31, 2018, despite higher profits in the IT segment, the Industry segment and the Smart Life segment. This decrease was due mainly to lower profits in the Energy segment, Hitachi Construction Machinery and Hitachi Metals.

Other income decreased ¥79.7 billion to ¥29.0 billion, as compared with the nine months ended December 31, 2018, due mainly to the absence of the gains on business reorganization and others by selling shares of Hitachi Kokusai Electric Inc. stock posted in the nine months ended December 31, 2018 and decreased gains on sales of fixed assets. This decrease was partially offset by a settlement gain recognized at the time of the shift to a risk-sharing corporate pension plan. Other expenses increased ¥107.7 billion to ¥468.4 billion, as compared with the nine months ended December 31, 2018, despite the absence of impairment losses recognized as the result of the suspension of the UK nuclear power stations construction project posted in the nine months ended December 31, 2018. This increase was due mainly to the loss due to the settlement of the South African project conducted by Mitsubishi Hitachi Power Systems, Ltd. ("MHPS") and higher impairment losses owing to the lower than expected revenues for the magnetic material business in Hitachi Metals.

Financial income (excluding interest income) decreased ¥2.1 billion to ¥12.1 billion and financial expenses (excluding interest charges) decreased ¥1.1 billion to ¥0.8 billion, as compared with the nine months ended December 31, 2018, respectively.

Share of profits (losses) of investments accounted for using the equity method increased ¥26.9 billion to profits of ¥37.4 billion, as compared with the nine months ended December 31, 2018.

EBIT (earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges) decreased ¥250.5 billion to ¥54.9 billion, as compared with the nine months ended December 31, 2018, due mainly to the loss due to the settlement of the South African project and the impairment losses recognized in Hitachi Metals, as well as decreased adjusted operating income.

Interest income decreased ¥1.2 billion to ¥15.4 billion and interest charges increased ¥2.8 billion to ¥18.2 billion, as compared with the nine months ended December 31, 2018, respectively.

Income from continuing operations, before income taxes decreased ¥254.6 billion to ¥52.1 billion, as compared with the nine months ended December 31, 2018.

Income taxes was income of ¥35.2 billion, as compared with expenses of ¥137.5 billion for the nine months ended December 31, 2018, due mainly to the loss in the settlement of the South African project conducted by MHPS.

Loss from discontinued operations improved ¥3.2 billion to ¥1.1 billion, as compared with the nine months ended December 31, 2018.

Net income decreased ¥78.6 billion to ¥86.2 billion, as compared with the nine months ended December 31, 2018.

Net income attributable to non-controlling interests decreased ¥51.1 billion to ¥31.0 billion, as compared with the nine months ended December 31, 2018.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders decreased ¥27.4 billion to ¥55.1 billion, as compared with the nine months ended December 31, 2018.

Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions. Effective from April 1, 2019, the Company reclassified its reportable segments in ten segments: IT, Energy, Industry, Mobility, Smart Life, Hitachi High-Technologies, Hitachi Construction Machinery, Hitachi Metals, Hitachi Chemical and Others. Accordingly, the amounts previously reported for the nine months ended December 31, 2018 have been restated in conformity with the new segments.

(IT)

Revenues increased 1% to ¥1,494.2 billion, as compared with the nine months ended December 31, 2018, despite lower sales of storage systems for overseas market. This increase was due mainly to higher revenues from system integration business for social infrastructure, industry and public fields.

Adjusted operating income increased ¥9.0 billion to ¥165.6 billion, as compared with the nine months ended December 31, 2018, due mainly to increased revenues. This increase was partially offset by an increase in strategic investment for expansion of digital solution business.

EBIT decreased ¥7.2 billion to ¥158.1 billion, as compared with the nine months ended December 31, 2018, despite increased adjusted operating income. This decrease was due mainly to decrease in gains from selling the land of former production basis posted in the nine months ended December 31, 2018.

(Energy)

Revenues decreased 10% to ¥245.7 billion, as compared with the nine months ended December 31, 2018, due mainly to the decrease of projects related to new regulations in nuclear power generation systems business and the effect of business transfer of power receiving and transforming facilities business for industry field.

Adjusted operating income worsened ¥11.8 billion to loss of ¥1.4 billion, as compared with the nine months ended December 31, 2018, due mainly to decreased revenues and decline in profitability of some projects.

EBIT worsened ¥99.2 billion to loss of ¥379.2 billion, as compared with the nine months ended December 31, 2018, despite the absence of impairment losses recognized as the result of the suspension of the UK nuclear power stations construction project posted in the nine months ended December 31, 2018. This loss was due mainly to the loss due to the settlement of the South African project conducted by MHPS.

(Industry)

Revenues increased 2% to ¥554.9 billion, as compared with the nine months ended December 31, 2018, due mainly to higher revenues from air conditioning systems business for industry field.

Adjusted operating income increased ¥2.1 billion to ¥25.5 billion, as compared with the nine months ended December 31, 2018, due mainly to the steady performance of the digital solution business for manufacturing and distribution as well as increased revenues.

EBIT increased ¥6.0 billion to ¥30.2 billion, as compared with the nine months ended December 31, 2018, due mainly to an improvement in share of profits of investments accounted for using the equity method as well as the increased adjusted operating income.

(Mobility)

Revenues decreased 8% to ¥832.6 billion, as compared with the nine months ended December 31, 2018, due mainly to decreased revenues from railway systems business in the U.K. and the sales price down of building systems in China as well as the impact of foreign currency translation.

Adjusted operating income decreased ¥3.8 billion to ¥61.3 billion, as compared with the nine months ended December 31, 2018, despite increased profitability improvement resulted from cost reduction, etc. in building systems business. This decrease was due mainly to decreased revenues.

EBIT decreased ¥12.1 billion to ¥91.6 billion, as compared with nine months ended December 31, 2018, due mainly to decreased gains by selling a part of shares of Agility Trains West (Holdings) Limited stock.

(Smart Life)

Revenues decreased 11% to ¥1,076.8 billion, as compared with the nine months ended December 31, 2018, despite increased revenues in healthcare business. This decrease due mainly to the effect of business sell-off of car information systems, etc. in automotive systems business.

Adjusted operating income increased ¥16.5 billion to ¥44.0 billion, as compared with the nine months ended December 31, 2018, due mainly to profitability improvement resulted from cost reduction in home appliances business, automotive systems business and healthcare business.

EBIT improved ¥36.8 billion to profit of ¥36.4 billion, as compared with nine months ended December 31, 2018, due mainly to the business reorganization expenses in automotive systems business posted in the nine months ended December 31, 2018 as well as the increased adjusted operating income.

(Hitachi High-Technologies)

Revenues decreased 4% to ¥516.9 billion, as compared with the nine months ended December 31, 2018, despite higher sales of semiconductor processing equipment. The decrease was due mainly to a decrease in demand for industrial materials and lower sales of liquid crystal display exposure systems.

Adjusted operating income decreased ¥3.2 billion to ¥48.1 billion, as compared with the nine months ended December 31, 2018, due mainly to decreased revenues, and EBIT decreased ¥1.0 billion to ¥48.4 billion, as compared with nine months ended December 31, 2018, due mainly to decreased adjusted operating income.

(Hitachi Construction Machinery)

Revenues decreased 8% to ¥687.1 billion, as compared with the nine months ended December 31, 2018, due mainly to a lower sales mainly in China and India and the production suspension by typhoon damage as well as the impact of foreign currency translation.

Adjusted operating income decreased ¥26.3 billion to ¥57.9 billion, as compared with the nine months ended December 31, 2018, due mainly to an increase in indirect expenses and the impact of foreign currency translation as well as the decreased revenues.

EBIT decreased ¥21.6 billion to ¥58.4 billion, as compared with the nine months ended December 31, 2018, despite posting of gain on business reorganization and others. This decrease was due mainly to decreased adjusted operating income and posting of business reorganization expenses.

(Hitachi Metals)

Revenues decreased 13% to ¥670.9 billion, as compared with the nine months ended December 31, 2018, due mainly to a decrease in demand for products for automobile, semiconductor and factory automation and the effect of business transfer of aluminum wheel business.

Adjusted operating income decreased ¥30.9 billion to ¥11.8 billion, as compared with the nine months ended December 31, 2018, due mainly to posting revaluation losses on inventories as well as decreased revenues.

EBIT worsened ¥89.9 billion to loss of ¥52.8 billion, as compared with the nine months ended December 31, 2018, due mainly to posting of impairment losses in the magnetic material business as well as decreased adjusted operating income.

(Hitachi Chemical)

Revenues decreased 8% to ¥479.6 billion, as compared with the nine months ended December 31, 2018, due mainly to the impact of foreign currency translation as well as a decrease in demand for products for semiconductor and automobile.

Adjusted operating income decreased ¥10.9 billion to ¥28.3 billion, as compared with the nine months ended December 31, 2018, due mainly to decreased revenues, and EBIT decreased ¥11.5 billion to ¥24.0 billion, as compared with the nine months ended December 31, 2018, due mainly to decreased adjusted operating income.

(Others)

Revenues decreased 17% to ¥351.6 billion, as compared with the nine months ended December 31, 2018, due mainly to the effect of reorganization of Hitachi Kokusai Electric Inc.

Adjusted operating income decreased ¥9.7 billion to ¥16.8 billion, and EBIT decreased ¥2.0 billion to ¥26.7 billion, as compared with the nine months ended December 31, 2018, respectively.

Revenues by Market

Revenues in Japan decreased 2% to ¥3,153.4 billion, as compared with the nine months ended December 31, 2018, due mainly to decreased revenues in the Smart Life segment owing to the effect of business sell-off in automotive systems business, decrease in demand for products for domestic market and lower capacity utilization and the Others segment owing to the effect of reorganization of Hitachi Kokusai Electric Inc. as well as decreased revenues in the Energy segment, Hitachi High-Technologies and Hitachi Metals. The decrease was partially offset by the increased revenues in the IT segment, the Industry segment and the Mobility segment.

Overseas revenues decreased 10% to ¥3,190.7 billion, as compared with the nine months ended December 31, 2018, due mainly to decreased revenues in Asia, mainly in the Mobility segment due mainly to lower sales from building systems business, and in Hitachi High-Technologies, Hitachi Construction Machinery, Hitachi Metals and Hitachi Chemicals, decreased revenues in North America, particularly in the Smart Life Segment and Hitachi Metals, and decreased revenues in Europe, mainly in the Mobility segment due mainly to lower sales from railway system business and the IT segment. This decrease was also attributable to decreased revenues owing to the effect of business sell-off in automotive systems business in the Smart Life segment and reorganization of Hitachi Kokusai Electric Inc.

As a result, the ratio of overseas revenues to total revenues decreased 3% to 50%, as compared with the nine months ended December 31, 2018.

(2) Analysis of Financial Condition and Cash Flows

Liquidity and Capital Resources

During the nine months ended December 31, 2019, there were no major changes in the Company's policies of maintaining liquidity and ensuring funds, efforts for improvement in fund management efficiency, and ideas regarding funding sources and fundraising.

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

Cash Flows

(Cash Flows from Operating Activities)

Net income in the nine months ended December 31, 2019 decreased by ¥78.6 billion, as compared with the nine months ended December 31, 2018. Net cash outflow from a change in trade payables increased by ¥28.9 billion, as compared with the nine months ended December 31, 2018. Net cash outflow from a change in inventories decreased by ¥53.3 billion, as compared with the nine months ended December 31, 2018. Net cash inflow from a change in trade receivables and contract assets increased by ¥50.2 billion, as compared with the nine months ended December 31, 2018.

As a result of the foregoing, net cash provided by operating activities was ¥307.8 billion in the nine months ended December 31, 2019, an increase of ¥105.4 billion, compared with the nine months ended December 31, 2018.

(Cash Flows from Investing Activities)

Net amount of investments related to property, plant and equipment* was ¥277.1 billion in the nine months ended December 31, 2019. This net sum decreased by ¥16.3 billion compared with the nine months ended December 31, 2018. Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the nine months ended December 31, 2019 decreased by ¥108.0 billion, as compared with the nine months ended December 31, 2018. 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, 2019 increased by ¥193.3 billion, as compared with the nine months ended December 31, 2018, due mainly to the purchase of interest of JR Technology Group, LLC.

As a result of the foregoing, net cash used in investing activities was ¥492.0 billion in the nine months ended December 31, 2019, an increase of ¥316.5 billion compared with the nine months ended December 31, 2018.

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

(Cash Flows from Financing Activities)

Net cash outflow related to long-term debt** in the nine months ended December 31, 2019 increased by ¥116.7 billion, as compared with the nine months ended December 31, 2018. Net cash inflow from a change in short-term debt in the nine months ended December 31, 2019 increased by ¥78.2 billion, as compared with the nine months ended December 31, 2018. Purchase of shares of consolidated subsidiaries from non-controlling interests in the nine months ended December 31, 2019 decreased by ¥137.5 billion, as compared with the nine months ended December 31, 2018.

As a result of the foregoing, net cash flows provided in financing activities were ¥86.8 billion in the nine months ended December 31, 2019, an increase of ¥83.0 billion compared with the nine months ended December 31, 2018.

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

As a result of the foregoing, cash and cash equivalents as of December 31, 2019 were ¥694.4 billion, a decrease of ¥113.1 billion from March 31, 2019. Free cash flows, the sum of cash flows from operating and investing activities, were an outflow of ¥184.1 billion in the nine months ended December 31, 2019, a decrease of ¥211.0 billion compared with the nine months ended December 31, 2018.

Assets, Liabilities and Equity

The following is an overview of Hitachi's assets, liabilities and equity as of December 31, 2019.

Total assets were ¥10,281.3 billion, an increase of ¥654.7 billion from March 31, 2019, despite cash collection of trade payables. This increase was due mainly to the impact of adopting IFRS 16 "Leases" and an increase in inventories.

Total interest-bearing debt, the sum of short-term debt and long-term debt, was ¥1,562.5 billion, an increase of ¥557.8 billion from March 31, 2019. This was due mainly to the impact of adopting IFRS 16 "Leases" and an increase in short-term debt.

Total Hitachi, Ltd. stockholders' equity decreased by ¥33.1 billion from March 31, 2019, to ¥3,229.4 billion. The ratio of total Hitachi, Ltd. stockholders' equity to total assets was 31.4%, as compared with 33.9% as of March 31, 2019.

Non-controlling interests were ¥1,132.7 billion, a decrease of ¥19.0 billion from March 31, 2019.

Total equity was ¥4,362.2 billion, a decrease of ¥52.1 billion from March 31, 2019. The ratio of interest-bearing debt to total equity was 0.36, as compared with 0.23 as of March 31, 2019.

(3) Management Policy

There were no material changes in Hitachi's management policy during the nine months ended December 31, 2019.

(4) Challenges Hitachi Group Faces

1) Business and Financial Challenges Hitachi Group Faces

There were no material changes in Hitachi's business strategy during the nine months ended December 31, 2019.

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

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

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

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

(5) Research and Development

There were no material changes in the research and development of the Hitachi Group (the Company and consolidated subsidiaries) stated in the Annual Securities Report for the 150th business term pursuant to the Financial Instruments and Exchange Act of Japan. The Hitachi Group's R&D expenditures in the nine months ended December 31, 2019 were ¥212.4 billion, 3.3% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Nine months ended December 31, 2019
IT	38.5
Energy	5.4
Industry	8.1
Mobility	21.4
Smart Life	45.2
Hitachi High-Technologies	22.4
Hitachi Construction Machinery	18.4
Hitachi Metals	12.1
Hitachi Chemical	24.3
Others	1.0
Corporate Items	15.1
Total	212.4

(6) Property, Plant and Equipment

Hitachi Metals, Ltd. recognized impairment losses on property, plant and equipment such as machinery of ¥22.4 billion for the nine months ended December 31, 2019, due to the lower than expected future revenue projected for the magnetic material business. Details of these impairment losses are described in "Condensed Quarterly Consolidated Financial Statements －Notes to Condensed Quarterly Consolidated Financial Statements －(11) Other Income and Expenses."

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

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

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

Segment	The amount of capital investment for the fiscal year ending March 31, 2020 (Billions of yen)	
	Initial Plan	Updated Plan
IT	390	630
Energy	60	60
Industry	170	170
Mobility	200	200
Smart Life	770	770
Hitachi High-Technologies	290	380
Hitachi Construction Machinery	700	700
Hitachi Metals	600	500
Hitachi Chemical	460	420
Others	260	370
Subtotal	3,900	4,200
Corporate Items & Elimination	100	100
Total	4,000	4,300

(Notes) 1. The figures in the above table include the amount of the right-of-use assets and the investment property, each of which is recorded as property, plant and equipment and other non-current assets, respectively.

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

3. There are no plans to dispose or sell principal facilities, with the exception of disposing and selling facilities due to routine upgrading.

(8) Forward-Looking Statements

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

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

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

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

3. Material Agreements, etc.

(1) Absorption-type Company Split and Share Transfer

On December 18, 2019, the Company decided to execute an absorption-type split (the "Company Split") involving the diagnostic imaging-related business (the "Business"), currently undertaken by the Company and its consolidated subsidiaries and affiliate companies, through which the Business will be transferred to FUJIFILM Healthcare Corporation as a successor company (the "New Company"), and transfer all shares in the New Company to FUJIFILM Corporation (such share transfer, the "Share Transfer") after the Company Split in order to strengthen competitiveness of the healthcare business.

The overview of the Company Split and Share Transfer is as follows.

1) Company Split Method

An absorption-type split under which the Company will be the splitting company and the New Company will be the succeeding company.

2) Effective Date of the Company Split

July 1, 2020 (tentative)

3) Assets and Liabilities Transferred to the Succeeding Company

To be determined

4) Details of Allotments

To be determined

5) Basis of Calculation for Allotment

To be determined

6) Profile of the Successor Company after the Company Split

Name	FUJIFILM Healthcare Corporation
Head office	2-1 Shintoyofuta, Kashiwa, Chiba
Representative	To be determined
Capital	To be determined
Business	Research and development, manufacturing, sales and maintenance service of diagnostics imaging systems (CT, MRI, X-ray systems, Ultrasound) and electronic health records

(2) Settlement

On December 18, 2019, the Company and Mitsubishi Heavy Industries, Ltd. ("MHI") reached a settlement relating to a transfer of the boiler construction projects in the Republic of South Africa conducted by Mitsubishi Hitachi Power Systems, Ltd. ("MHPS"), the joint venture company that integrated the respective thermal power generation systems businesses of MHI and the Company.

The overview of the settlement is as follows.

・The Company will transfer all of its shares of MHPS (share-holding ratio of 35%) to MHI. In addition, the Company will recognize settlement money of 200.0 billion yen as a debt for MHI, offset the amount by transferring its credit for a subsidiary of MHPS to MHI at 70.0 billion yen and make a payment of 130.0 billion yen to MHI in March, 2020.

・The Company and MHI will promptly request Japan Commercial Arbitration Association (the "JCAA") to stop the progress of the arbitration. MHI will withdraw the request for arbitration in JCAA after the completion of the payment and the transfer of shares mentioned above.

III. Information on the Company

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

(1) Total number of shares, etc.

1) Total number of shares

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

2) Issued shares

Class	Number of shares issued as of the end of third quarter (shares) (December 31, 2019)	Number of shares issued as of the filing date (shares) (Note) (February 10, 2020)	Stock exchange on which the Company is listed	Description
Common stock	967,280,477	967,280,477	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	967,280,477	967,280,477	−	−

(Note) The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from February 1, 2020 to the filing date.

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

1) Details of stock option plans

Not applicable.

2) Details of other stock acquisition rights, etc.

Not applicable.

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

Not applicable.

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

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From October 1, 2019 to December 31, 2019	—	967,280,477	—	459,862	—	177,828

(5) Major shareholders

Not applicable.

(6) Information on voting rights

Information on voting rights as of September 30, 2019 is stated in this item because the Company does not identify the number of voting rights as of December 31, 2019 due to the lack of information on the number of the Company's shares held by the entity which the Company holds one quarter or more of total number of voting rights of such entity as of December 31, 2019.

1) Issued shares

(As of September 30, 2019)

Classification	Number of shares (shares)		Number of voting rights	Description
Shares without voting right	－		－	－
Shares with restricted voting right (treasury stock, etc.)	－		－	－
Shares with restricted voting right (others)	－		－	－
Shares with full voting right (treasury stock, etc.)	Common stock	1,063,800	－	－
Shares with full voting right (others)	Common stock	963,680,500	9,636,805	－
Shares less than one unit	Common stock	2,536,177	－	－
Number of issued shares		967,280,477	－	－
Total number of voting rights	－		9,636,805	－

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

2) Treasury stock, etc.

(As of September 30, 2019)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	1,030,400	－	1,030,400	0.11
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	2,100	－	2,100	0.00
ISHII DENKOSHA Co., Ltd.	1-11, Oroshishinmachi 3-chome, Higashi-ku, Niigata-shi, Niigata	200	－	200	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	17,600	－	17,600	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	10,500	－	10,500	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	3,000	－	3,000	0.00
Total	－	1,063,800	－	1,063,800	0.11

2. Changes in Senior Management

There were no changes in senior managements from the filing date of the Annual Securities Report for the 150th business term pursuant to the Financial Instruments and Exchange of Act of Japan to December 31, 2019.

IV. Financial Information

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

Part II Information on Guarantors, etc. for the Company

Not applicable.

Condensed Quarterly Consolidated Financial Statements

Condensed Quarterly Consolidated Statement of Financial Position

Millions of yen

	Note	December 31, 2019	March 31, 2019
Assets			
Current assets			
Cash and cash equivalents		694,460	807,593
Trade receivables and contract assets	6	2,194,934	2,399,933
Inventories		1,614,479	1,356,762
Investments in securities and other financial assets	7	321,140	284,267
Other current assets	5	718,562	187,238
Total current assets		5,543,575	5,035,793
Non-current assets			
Investments accounted for using the equity method	5	505,884	724,461
Investments in securities and other financial assets	5,7	490,171	568,349
Property, plant and equipment	3	2,207,089	1,956,685
Intangible assets	3,5	1,150,203	960,016
Other non-current assets		384,435	381,288
Total non-current assets		4,737,782	4,590,799
Total assets		10,281,357	9,626,592
Liabilities			
Current liabilities			
Short-term debt		471,276	111,031
Current portion of long-term debt	3,7	245,484	185,250
Other financial liabilities	5,7	468,107	257,792
Trade payables		1,298,394	1,406,012
Accrued expenses		512,532	653,676
Contract liabilities		645,944	553,510
Other current liabilities	5	552,095	438,289
Total current liabilities		4,193,832	3,605,560
Non-current liabilities			
Long-term debt	3,7	845,825	708,490
Retirement and severance benefits	8	513,259	526,688
Other non-current liabilities		366,188	371,451
Total non-current liabilities		1,725,272	1,606,629
Total liabilities		5,919,104	5,212,189
Equity			
Hitachi, Ltd. stockholders' equity			
Common stock		459,862	458,790
Capital surplus		460,295	463,786
Retained earnings	9	2,263,586	2,287,587
Accumulated other comprehensive income		49,505	56,360
Treasury stock, at cost		(3,775)	(3,920)
Total Hitachi, Ltd. stockholders' equity		3,229,473	3,262,603
Non-controlling interests		1,132,780	1,151,800
Total equity		4,362,253	4,414,403
Total liabilities and equity		10,281,357	9,626,592

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Nine months ended December 31, 2019 and 2018 — Millions of yen

	Note	2019	2018
Revenues	10	6,344,181	6,782,969
Cost of sales		(4,631,184)	(4,948,029)
Gross profit		1,712,997	1,834,940
Selling, general and administrative expenses		(1,267,363)	(1,300,400)
Other income	8,11	29,006	108,784
Other expenses	5,11	(468,413)	(360,615)
Financial income	12	12,183	14,349
Financial expenses	12	(880)	(2,077)
Share of profits (losses) of investments accounted for using the equity method		37,420	10,473
EBIT (Earnings before interest and taxes)		54,950	305,454
Interest income		15,413	16,711
Interest charges		(18,242)	(15,404)
Income from continuing operations, before income taxes		52,121	306,761
Income taxes		35,266	(137,541)
Income from continuing operations		87,387	169,220
Loss from discontinued operations	13	(1,187)	(4,404)
Net income		86,200	164,816
Net income attributable to:			
Hitachi, Ltd. stockholders		55,146	82,627
Non-controlling interests		31,054	82,189
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	14		Yen
Basic		58.33	90.13
Diluted		58.26	90.06
Earnings per share attributable to Hitachi, Ltd. stockholders	14		
Basic		57.10	85.57
Diluted		57.03	85.50

Condensed Quarterly Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2019 and 2018 — Millions of yen

	Note	2019	2018
Net income		86,200	164,816
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		28,368	(60,405)
Remeasurements of defined benefit plans		-	-
Share of OCI of investments accounted for using the equity method		787	(1,488)
Total items not to be reclassified into net income		29,155	(61,893)
Items that can be reclassified into net income			
Foreign currency translation adjustments		(44,168)	(24,881)
Net changes in cash flow hedges		14,179	(1,855)
Share of OCI of investments accounted for using the equity method		(1,296)	20,192
Total items that can be reclassified into net income		(31,285)	(6,544)
Other comprehensive income (OCI)		(2,130)	(68,437)
Comprehensive income		84,070	96,379
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		65,516	25,247
Non-controlling interests		18,554	71,132

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Three months ended December 31, 2019 and 2018 — Millions of yen

	Note	2019	2018
Revenues		2,122,854	2,291,135
Cost of sales		(1,556,393)	(1,668,547)
Gross profit		566,461	622,588
Selling, general and administrative expenses		(418,030)	(432,638)
Other income		236	73,202
Other expenses	5,11	(401,895)	(316,279)
Financial income		7,747	858
Financial expenses		-	(1,918)
Share of profits (losses) of investments accounted for using the equity method		9,914	7,307
EBIT (Earnings before interest and taxes)		(235,567)	(46,880)
Interest income		5,016	6,473
Interest charges		(6,304)	(5,752)
Loss from continuing operations, before income taxes		(236,855)	(46,159)
Income taxes		125,912	(44,790)
Loss from continuing operations		(110,943)	(90,949)
Loss from discontinued operations		(391)	(401)
Net loss		(111,334)	(91,350)
Net loss attributable to:			
Hitachi, Ltd. stockholders		(134,147)	(110,368)
Non-controlling interests		22,813	19,018
Loss per share from continuing operations, attributable to Hitachi, Ltd. stockholders	14		Yen
Basic		(138.50)	(113.88)
Diluted		(138.50)	(113.88)
Loss per share attributable to Hitachi, Ltd. stockholders	14		
Basic		(138.91)	(114.30)
Diluted		(138.91)	(114.30)

Condensed Quarterly Consolidated Statement of Comprehensive Income

Three months ended December 31, 2019 and 2018 — Millions of yen

	Note	2019	2018
Net loss		(111,334)	(91,350)
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		8,319	(36,655)
Remeasurements of defined benefit plans		-	-
Share of OCI of investments accounted for using the equity method		654	(1,909)
Total items not to be reclassified into net income		8,973	(38,564)
Items that can be reclassified into net income			
Foreign currency translation adjustments		52,004	(59,269)
Net changes in cash flow hedges		9,534	1,376
Share of OCI of investments accounted for using the equity method		15,676	9,550
Total items that can be reclassified into net income		77,214	(48,343)
Other comprehensive income (OCI)		86,187	(86,907)
Comprehensive loss		(25,147)	(178,257)
Comprehensive loss attributable to:			
Hitachi, Ltd. stockholders		(65,755)	(179,221)
Non-controlling interests		40,608	964

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Changes in Equity

Nine months ended December 31, 2019 — Millions of yen

	2019							
	Common stock	Capital surplus	Retained earnings (note 9)	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	463,786	2,287,587	56,360	(3,920)	3,262,603	1,151,800	4,414,403
Cumulative effects of changes in accounting policies (note 3)	-	-	(2,596)	-	-	(2,596)	(1,075)	(3,671)
Restated balance	458,790	463,786	2,284,991	56,360	(3,920)	3,260,007	1,150,725	4,410,732
Changes in equity								
Reclassified into retained earnings	-	-	15,210	(15,210)	-	-	-	-
Net income	-	-	55,146	-	-	55,146	31,054	86,200
Other comprehensive income (loss)	-	-	-	10,370	-	10,370	(12,500)	(2,130)
Dividends to Hitachi, Ltd. stockholders	-	-	(91,761)	-	-	(91,761)	-	(91,761)
Dividends to non-controlling interests	-	-	-	-	-	-	(40,266)	(40,266)
Acquisition of treasury stock	-	-	-	-	(129)	(129)	-	(129)
Sales of treasury stock	-	(138)	-	-	274	136	-	136
Issuance of new shares	1,072	1,072	-	-	-	2,144	-	2,144
Changes in non-controlling interests	-	(4,425)	-	(2,015)	-	(6,440)	3,767	(2,673)
Total changes in equity	1,072	(3,491)	(21,405)	(6,855)	145	(30,534)	(17,945)	(48,479)
Balance at end of period	459,862	460,295	2,263,586	49,505	(3,775)	3,229,473	1,132,780	4,362,253

Nine months ended December 31, 2018 — Millions of yen

	2018							
	Common stock	Capital surplus (note 5)	Retained earnings (note 9)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 5)	Total equity
Balance at beginning of period	458,790	575,809	2,105,395	142,167	(4,137)	3,278,024	1,233,647	4,511,671
Cumulative effects of changes in accounting policies	-	-	3,209	-	-	3,209	(1,406)	1,803
Restated balance	458,790	575,809	2,108,604	142,167	(4,137)	3,281,233	1,232,241	4,513,474
Changes in equity								
Reclassified into retained earnings	-	-	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

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Cash flows

Nine months ended December 31, 2019 and 2018 — Millions of yen

	Note	2019	2018
Cash flows from operating activities:			
Net income		86,200	164,816
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	3	316,482	270,807
Impairment losses		76,933	322,335
Income taxes		(35,267)	134,935
Share of (profits) losses of investments accounted for using the equity method		(37,420)	(10,473)
Financial income and expenses		(1,117)	(4,872)
Net (gain) loss on business reorganization and others		(27,508)	(82,376)
(Gain) loss on sale of property, plant and equipment		1,642	(24,139)
Change in trade receivables and contract assets		316,753	266,479
Change in inventories		(300,531)	(353,866)
Change in other assets		(2,543)	(40,865)
Change in trade payables		(130,254)	(101,345)
Change in retirement and severance benefits		(16,318)	(23,916)
Change in other liabilities		209,371	(162,777)
Other		4,922	(1,441)
Subtotal		461,345	353,302
Interest received		18,600	15,806
Dividends received		12,983	16,552
Interest paid		(18,849)	(17,099)
Income taxes paid		(166,232)	(166,210)
Net cash provided by (used in) operating activities		307,847	202,351
Cash flows from investing activities:			
Purchase of property, plant and equipment		(232,758)	(293,081)
Purchase of intangible assets		(64,939)	(60,830)
Proceeds from sale of property, plant and equipment, and intangible assets		20,502	60,349
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		(234,499)	(41,149)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		53,170	161,237
Other		(33,498)	(2,021)
Net cash provided by (used in) investing activities		(492,022)	(175,495)
Cash flows from financing activities:			
Change in short-term debt, net		357,022	278,748
Proceeds from long-term debt		88,484	84,724
Payments on long-term debt	3	(229,559)	(109,023)
Proceeds from payments from non-controlling interests		5,004	4,949
Dividends paid to Hitachi, Ltd. stockholders		(91,766)	(77,264)
Dividends paid to non-controlling interests		(40,509)	(39,363)
Acquisition of common stock for treasury		(129)	(198)
Proceeds from sales of treasury stock		136	205
Purchase of shares of consolidated subsidiaries from non-controlling interests		(1,340)	(138,894)
Other		(460)	(27)
Net cash provided by (used in) financing activities		86,883	3,857
Effect of exchange rate changes on cash and cash equivalents		(15,841)	(19,932)
Change in cash and cash equivalents		(113,133)	10,781
Cash and cash equivalents at beginning of period		807,593	697,964
Cash and cash equivalents at end of period		694,460	708,745

See accompanying notes to condensed quarterly consolidated financial statements.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2019

(1) Nature of Operations

Hitachi, Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The condensed quarterly consolidated financial statements of the Company as of and for the nine months ended December 31, 2019 comprise the Company, its subsidiaries and the Company's interests in associates and joint ventures. The Company's and its subsidiaries' businesses are global and diverse, and include manufacturing and services in ten segments consisting of IT, Energy, Industry, Mobility, Smart Life, Hitachi High-Technologies, Hitachi Construction Machinery, Hitachi Metals, Hitachi Chemical and others.

(2) Basis of Presentation

As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards" pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), the condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting," as permitted by the provision of Article 93 of the Ordinance. They do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the financial statements and notes included in the Company's annual consolidated financial statements for the year ended March 31, 2019.

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

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

Judgments, estimates and assumptions that could have a material effect on these condensed quarterly consolidated financial statements are basically the same as those disclosed in the Company's annual consolidated financial statements for the year ended March 31, 2019.

(3) Significant Accounting Policies

Significant accounting policies adopted in preparation of the condensed quarterly consolidated financial statements are consistent with those used in the preparation of the Company's annual consolidated financial statements for the year ended March 31, 2019, except for the following matters.

(a) Leases

(i) Lessee

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

Right-of-use asset

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

Lease liability

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

(ii) Lessor

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

Changes in Accounting Policies

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

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

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

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

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

(b) Income Taxes

Income taxes for the nine months ended December 31, 2019 are computed using the estimated annual effective tax rate.

(4) Segment Information

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

The Company discloses its business in ten reportable segments, corresponding to categories of activities classified primarily by the similarities for the nature of markets, products and services, and economic characteristics. Several operating segments are aggregated into IT, Industry, Mobility and Smart Life for financial reporting purposes so that users of the financial statements better understand the Company's financial position and business performance. The Company aggregates operating segments based on the similarities of economic characteristics mainly using gross profit margin ratios of operating segments. The primary products and services included in each segment are as follows:

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

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

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

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

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

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

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

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

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

Others:
Optical disk drives, Property management and others

Effective from April 1, 2019, the Company changed its business structure in order to increase customer's social, environmental and economic values by accelerating the Social Innovation Business. Accordingly, the Company reclassified its reportable segments in ten segments which include five focused areas as IT, Energy, Industry, Mobility and Smart Life, four listed subsidiary groups as Hitachi High-Technologies, Hitachi Construction Machinery, Hitachi Metals and Hitachi Chemical, and Others. Figures for the nine months ended December 31, 2018 have been restated on the basis of the reclassification.

The following tables show business segment information for the nine months ended December 31, 2019 and 2018.

Revenues from Outside Customers

Millions of yen

	2019	2018
IT	1,385,112	1,356,002
Energy	203,155	222,750
Industry	442,631	431,386
Mobility	825,288	897,828
Smart Life	1,048,175	1,175,176
Hitachi High-Technologies	449,973	464,718
Hitachi Construction Machinery	686,906	742,898
Hitachi Metals	648,394	749,770
Hitachi Chemical	465,070	506,655
Others	181,851	226,978
Subtotal	6,336,555	6,774,161
Corporate items	7,626	8,808
Total	6,344,181	6,782,969

Revenues from Intersegment Transactions

Millions of yen

	2019	2018
IT	109,154	119,932
Energy	42,577	49,515
Industry	112,349	114,846
Mobility	7,383	9,671
Smart Life	28,641	30,302
Hitachi High-Technologies	67,004	75,754
Hitachi Construction Machinery	282	294
Hitachi Metals	22,569	25,761
Hitachi Chemical	14,628	15,711
Others	169,839	195,242
Subtotal	574,426	637,028
Corporate items and Eliminations	(574,426)	(637,028)
Total	-	-

Total Revenues

Millions of yen

	2019	2018
IT	1,494,266	1,475,934
Energy	245,732	272,265
Industry	554,980	546,232
Mobility	832,671	907,499
Smart Life	1,076,816	1,205,478
Hitachi High-Technologies	516,977	540,472
Hitachi Construction Machinery	687,188	743,192
Hitachi Metals	670,963	775,531
Hitachi Chemical	479,698	522,366
Others	351,690	422,220
Subtotal	6,910,981	7,411,189
Corporate items and Eliminations	(566,800)	(628,220)
Total	6,344,181	6,782,969

Segment Profit (Loss)

Millions of yen

	2019	2018
IT	158,184	165,467
Energy	(379,214)	(279,962)
Industry	30,200	24,156
Mobility	91,608	103,741
Smart Life	36,492	(345)
Hitachi High-Technologies	48,493	49,590
Hitachi Construction Machinery	58,459	80,153
Hitachi Metals	(52,864)	37,037
Hitachi Chemical	24,085	35,607
Others	26,734	28,825
Subtotal	42,177	244,269
Corporate items and Eliminations	12,773	61,185
Total	54,950	305,454
Interest income	15,413	16,711
Interest charges	(18,242)	(15,404)
Income from continuing operations, before income taxes	52,121	306,761

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, 2019, including the period up to the approval date of the condensed quarterly consolidated financial statements.

(a) Additional acquisition of shares of Hitachi High-Technologies Corporation (Hitachi High-Technologies)

On January 31, 2020, the Company decided to conduct a tender offer to acquire all issued shares of Hitachi High-Technologies, a consolidated subsidiary of the Company in the Hitachi High-Technologies segment, to establish the measurement and analysis platform to strengthen Lumada. The tender offer is scheduled to commence on February 17, 2020. The consideration is expected to be ¥531.1 billion.

Assuming the tender offer is completed successfully, the Company will conduct a series of procedures to make Hitachi High-Technologies a wholly-owned subsidiary of the Company, and as a result, it is expected that the Company’s ownership ratio of shares of Hitachi High-Technologies will increase from 51.7% to 100% and the Company will recognize a decrease in the total of capital surplus and non-controlling interest by the same amount as the consideration.

(b) Settlement regarding the South African project

At the meeting of the Board of Directors held on December 18, 2019, the Company approved a settlement with Mitsubishi Heavy Industries, Ltd. (hereinafter “MHI”) regarding the transfer price adjustment for the South African project previously in the process of arbitration based on economic rationality and business strategy, etc., and reached a settlement agreement with MHI on the same day. As a result of the conclusion of this agreement, all common shares of Mitsubishi Hitachi Power Systems Co., Ltd. (hereinafter “MHPS”) held by the Company will be transferred to MHI, and the Company will pay ¥130,000 million to MHI comprising a settlement payment of ¥200,000 million offset by a consideration of ¥70,000 million in loans receivable to Mitsubishi Hitachi Power Systems Africa Proprietary Limited (hereinafter “MHPS Africa”) to be transferred to MHI. Accordingly, the Company recorded other accounts payable of ¥200,000 million related to the settlement payment to MHI and other provision of ¥273,272 million related to the transfer of shares of MHPS. The Company also reversed the provision of ¥105,041 million related to the transfer price adjustment, etc. of the South African project, which had been recorded prior to the conclusion of this agreement. As a result of the above, the Energy segment recorded a loss of ¥375,967 million due to the settlement, which is included in Other expenses in the condensed quarterly consolidated statement of profit or loss for the nine months ended December 31, 2019. Other accounts payable and other provision related to this agreement are included in Other financial liabilities and Other current liabilities, respectively, in the condensed quarterly consolidated statement of financial position as of December 31, 2019. The amount of ¥130,000 million, comprising a settlement payment offset by a consideration in loans receivable to MHPS Africa to be transferred to MHI, is scheduled to be paid to MHI in March 2020, and the shares of MHPS will be delivered to MHI as soon as the procedures required for the transfer are completed. Regarding the assets to be transferred to MHI under this agreement, the shares of MHPS previously included in Investments accounted for using the equity method and loans receivable to MHPS Africa previously included in Investments in securities and other financial assets classified as non-current assets in the condensed quarterly consolidated statement of financial position, the total of which is ¥333,614 million, were reclassified to Other current assets in the condensed quarterly consolidated statement of financial position since they met the criteria as held-for-sale assets in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

(c) Sale of Diagnostic Imaging-related Business

On December 18, 2019, the Company signed an agreement with FUJIFILM Corporation (Fujifilm) regarding the transfer of the Diagnostic Imaging-related Business included in the Company’s subsidiaries and associates to Fujifilm.

On July 1, 2020, the Company plans to transfer all shares of common stock of a new company established by the Company to Fujifilm after the Diagnostic Imaging-related Business is absorbed and split from the Company and succeeded to the new company. The consideration is expected to be ¥179 billion.

Assuming the transaction is settled, it is expected that the Company’s ownership ratio of shares of the new company will decrease from 100% to 0%, and the new company will be deconsolidated. An expected gain on the sale of shares of the new company in the amount of ¥111 billion will be recognized in Other income in the consolidated statement of profit or loss.

(d) Sale of all shares of Hitachi Chemical Company, Ltd. (Hitachi Chemical)

On December 18, 2019, the Company signed a tender offer agreement with Showa Denko K.K. (Showa Denko) and HC Holdings K.K. (HC Holdings), a wholly-owned subsidiary of Showa Denko, under which the Company agrees to tender all shares of common stock in Hitachi Chemical held by the Company, in response to a tender offer to be carried out by HC Holdings for the shares of common stock of Hitachi Chemical, a consolidated subsidiary of the Company in the Hitachi Chemical segment. The tender offer is scheduled to commence in February 2020, and the consideration to be received by the Company will be approximately ¥495 billion.

Assuming the tender offer is completed successfully, it is expected that the Company's ownership ratio of shares of Hitachi Chemical will decrease from 51.4% to 0%, and Hitachi Chemical will be deconsolidated. An expected gain on the sale of shares of Hitachi Chemical in the amount of ¥279 billion will be recognized in Other income in the consolidated statement of profit or loss. Furthermore, non-controlling interest in Hitachi Chemical will decrease approximately ¥230 billion in the consolidated statement of changes in equity as a result of its deconsolidation.

(e) Reorganization of automotive systems business

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

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

(f) Acquisition of robotic systems integration business

On April 23, 2019, the Company signed an agreement with JR Intermediate Holdings, LLC (JR Intermediate) to acquire all interests of JR Technology Group, LLC (JR Technology), a subsidiary of JR Intermediate, in order to expand the robotic systems integration business globally. On December 27, 2019, Hitachi America, Ltd., a consolidated subsidiary of the Company, executed the acquisition. As a result, the Company's ownership ratio of interests of JR Technology became 100% and JR Technology turned into a subsidiary of the Company. Furthermore, Hitachi America, Ltd. repaid USD 231 million (¥25,304 million) of certain loans owed by JR Technology, in addition to the acquisition cost.

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

	Millions of yen
Cash and cash equivalents	3,056
Trade receivables	26,963
Inventories	433
Other current assets	871
Non-current assets (excluding intangible assets)	7,766
Intangible assets	
Goodwill (deductible for tax purposes)	122,963
Other intangible assets	15,055
Total	177,107
Current liabilities	17,131
Non-current liabilities	29,872
Total	47,003
Cash paid for the acquisition	130,104

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

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

The operating results of JR Technology for the period from the acquisition date to December 31, 2019 were not material.

On a pro forma basis, revenues and net income attributable to Hitachi, Ltd. stockholders using an assumed acquisition date for JR Technology of April 1, 2019 would not differ materially from the amounts reported in the condensed quarterly consolidated financial statements for the nine months ended December 31, 2019.

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

On July 24, 2019, the Company and HiAMS, a consolidated subsidiary of the Company in the Smart Life segment, signed an agreement with Caliper Acquisition International S.à r.l. (Caliper), a special purpose vehicle of KPS Capital Partners, for HiAMS to acquire all shares of Chassis Brakes in order to further strengthen core businesses and build HiAMS's global presence. On October 11, 2019, the acquisition was executed. As a result, the Company's ownership ratio of shares of Chassis Brakes became 100% and Chassis Brakes turned into a subsidiary of the Company. Furthermore, Hitachi International (Holland) B.V., a consolidated subsidiary of the Company, repaid EUR 194 million (¥23,066 million) of certain loans owed by Chassis Brakes, in addition to the acquisition cost.

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

	Millions of yen
Cash and cash equivalents	3,666
Trade receivables	13,815
Inventories	10,894
Other current assets	5,940
Non-current assets (excluding intangible assets)	28,548
Intangible assets	
Goodwill (not deductible for tax purposes)	47,663
Other intangible assets	34,139
Total	144,665
Current liabilities	50,074
Non-current liabilities	34,513
Total	84,587
Cash paid for the acquisition	60,078

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.
The Company is currently evaluating the fair values to be assigned to assets and liabilities of Chassis Brakes at the acquisition date, and therefore the above amounts are subject to change.
The operating results of Chassis Brakes for the period from the acquisition date to December 31, 2019 were not material.
On a pro forma basis, revenues and net income attributable to Hitachi, Ltd. stockholders using an assumed acquisition date for Chassis Brakes of April 1, 2019 would not differ materially from the amounts reported in the condensed quarterly consolidated financial statements for the nine months ended December 31, 2019.

The following are the main Business Acquisitions and Divestitures for the nine months ended December 31, 2018.

(a) 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 Mobility 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 Mobility 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, the Company's ownership ratio of shares of STS increased to 100% on January 30, 2019. The total consideration paid for the year ended March 31, 2019, was EUR 1,250 million (¥159,031 million). For the nine months ended December 31, 2018, the total of capital surplus and non-controlling interest decreased by EUR 1,060 million (¥ 135,335 million).
On April 1, 2019, STS changed its name to Hitachi Rail STS S.p.A.. Additionally, on October 31, 2019, STS and HRII conducted an absorption-type merger in which STS was the surviving company and HRII was the disappearing company.

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

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

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

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

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

(a) Acquisition of ABB's power grids business

On December 17, 2018, the Company decided to acquire the power grids business from ABB Ltd (ABB) and signed an agreement with ABB in order to strengthen and expand energy solutions business globally. The Company plans to acquire an 80.1% stake in the company operating the power grids business that will be divested by ABB in the first half of 2020 and make it a consolidated subsidiary of the Company. The consideration is expected to be USD 6.4 billion (¥701.2 billion). Furthermore, the Company is expected to repay certain loans owed by the company operating the power grids business to be divested by ABB, in addition to the acquisition cost. The effects of this transaction on the Company's consolidated financial statements are currently being evaluated.

(6) Trade Receivables and Contract Assets

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

Millions of yen

	December 31, 2019	March 31, 2019
Accounts receivable	1,530,039	1,790,520
Contract assets	494,264	432,881
Others	170,631	176,532
Total	2,194,934	2,399,933

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

(7) Fair Value of Financial Instruments

(a) Fair Value Measurements

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

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

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

Investments in securities and other financial assets

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

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

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

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

Long-term debt

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

Other financial liabilities

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

(b) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of December 31 and March 31, 2019 are as follows.

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

Millions of yen

	December 31, 2019		March 31, 2019	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets				
Investments in securities and other financial assets				
Lease receivables	89,167	89,576	95,073	96,377
Debt securities	73,188	73,191	72,418	72,422
Long-term loans receivable	28,053	29,177	105,061	106,390
Liabilities				
Long-term debt [1]				
Bonds	155,778	158,849	170,498	174,747
Long-term borrowings	653,666	657,431	674,043	678,481

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

(c) Financial Instruments Measured at Fair Value

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

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

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

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

The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of December 31 and March 31, 2019.

December 31, 2019 — Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	-	-	3,683	3,683
Debt securities	9,972	5,185	8,621	23,778
Derivatives	-	35,711	6,875	42,586
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	190,939	-	100,170	291,109
Total financial assets at fair value	200,911	40,896	119,349	361,156
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	24,308	-	24,308
Total financial liabilities at fair value	-	24,308	-	24,308

March 31, 2019 — Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	-	-	2,743	2,743
Debt securities	10,127	4,895	9,344	24,366
Derivatives	-	25,269	7,059	32,328
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	183,585	-	102,334	285,919
Total financial assets at fair value	193,712	30,164	121,480	345,356
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	23,078	-	23,078
Total financial liabilities at fair value	-	23,078	-	23,078

The following tables present the changes in Level 3 instruments measured on a recurring basis for the nine months ended December 31, 2019 and 2018.

December 31, 2019 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	105,077	9,344	7,059	121,480
Loss in profit or loss [1]	(92)	(18)	(184)	(294)
Gain in OCI [2]	1,845	-	-	1,845
Purchases	2,848	384	-	3,232
Sales and redemption	(1,658)	(1,005)	-	(2,663)
Acquisitions and divestitures	(505)	(46)	-	(551)
Other	(3,662)	(38)	-	(3,700)
Balance at end of period	103,853	8,621	6,875	119,349
Unrealized gain (loss) relating to financial assets held at end of period [4]	(92)	4	(184)	(272)

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)

[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, 2019 were ¥10,923 million and ¥17,678 million, respectively, included in Other financial liabilities in the condensed quarterly consolidated statement of financial position.

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

(8) Employee Benefits

(Revision of defined benefit pension plan)

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

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

(9) Dividends

Dividends paid on the Company's common stock for the nine months ended December 31, 2019 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 10, 2019	48,280	Retained earnings	50.0	March 31, 2019	May 31, 2019
The Board of Directors on October 30, 2019	43,481	Retained earnings	45.0	September 30, 2019	November 29, 2019

Dividends paid on the Company's common stock for the 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

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

(10) Revenues

(a) Disaggregation of revenue

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

Effective from April 1, 2019, the Company reclassified its reportable segments. Accordingly, figures for the nine months ended December 31, 2018 have been restated on the basis of the reclassification. Details of the reclassification are described in note 4.

(Millions of yen)

December 31, 2019	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
IT	1,067,980	140,494	139,975	116,056	29,761	426,286	1,494,266
Energy	213,244	21,323	5,852	3,086	2,227	32,488	245,732
Industry	426,867	66,529	37,039	8,467	16,078	128,113	554,980
Mobility	250,006	300,342	32,805	219,541	29,977	582,665	832,671
Smart Life	603,460	183,097	167,767	74,225	48,267	473,356	1,076,816
Hitachi High-Technologies	186,287	161,442	85,181	69,715	14,352	330,690	516,977
Hitachi Construction Machinery	145,410	161,321	130,043	98,628	151,786	541,778	687,188
Hitachi Metals	309,153	128,268	185,811	32,662	15,069	361,810	670,963
Hitachi Chemical	171,997	209,896	36,266	47,968	13,571	307,701	479,698
Others	291,875	39,255	10,901	5,166	4,493	59,815	351,690
Subtotal	3,666,279	1,411,967	831,640	675,514	325,581	3,244,702	6,910,981
Corporate items and Eliminations	(512,864)	(39,270)	(6,551)	(4,267)	(3,848)	(53,936)	(566,800)
Total	3,153,415	1,372,697	825,089	671,247	321,733	3,190,766	6,344,181

(Millions of yen)

December 31, 2018	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
IT	1,029,145	132,966	150,274	130,376	33,173	446,789	1,475,934
Energy	240,716	19,250	5,746	4,098	2,455	31,549	272,265
Industry	408,887	68,572	38,700	10,929	19,144	137,345	546,232
Mobility	239,593	315,200	40,875	277,314	34,517	667,906	907,499
Smart Life	662,911	204,777	215,736	65,613	56,441	542,567	1,205,478
Hitachi High-Technologies	203,244	200,628	42,330	71,762	22,508	337,228	540,472
Hitachi Construction Machinery	145,546	194,602	124,207	101,074	177,763	597,646	743,192
Hitachi Metals	342,162	154,692	231,926	37,685	9,066	433,369	775,531
Hitachi Chemical	190,521	229,776	36,484	53,605	11,980	331,845	522,366
Others	321,641	69,722	18,263	7,901	4,693	100,579	422,220
Subtotal	3,784,366	1,590,185	904,541	760,357	371,740	3,626,823	7,411,189
Corporate items and Eliminations	(562,830)	(43,458)	(8,554)	(10,198)	(3,180)	(65,390)	(628,220)
Total	3,221,536	1,546,727	895,987	750,159	368,560	3,561,433	6,782,969

The IT segment consists of Front Business and Services & Platforms, for which revenue amounted to ¥1,000,256 million and ¥571,628 million for the nine months ended December 31, 2019 and ¥964,393 million and ¥579,641 million for the nine months ended December 31, 2018, respectively (including intersegment transactions). Front Business is operated mainly in Japan, and Services & Platforms is operated mainly in Japan, North America and Europe.

(b) Information about satisfaction of performance obligations

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

(IT)

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

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

Services & Platforms primarily sells control systems, software and IT products. Revenue is recognized when control over the goods is transferred to customers as performance obligations are satisfied at the point in time upon the completion or upon delivery of the goods. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

(Energy, Industry and Mobility)

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

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

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

(Other)

In the Smart Life, Hitachi High-Technologies, Hitachi Construction Machinery, Hitachi Metals, and Hitachi Chemical segments, performance obligations are generally satisfied at a point in time upon completion of the sale and customers' acceptance and inspection of the goods, and revenue is recognized when control over goods is transferred to customers. The Company's general terms and conditions apply, and there are no significant transactions in which payment terms include deferred payments, etc.

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

(11) Other Income and Expenses

The main components of other income and expenses for the nine months ended December 31, 2019 and 2018 are as follows:

Millions of yen

	2019	2018
Net gain (loss) on sales and disposals of fixed assets	(1,651)	23,668
Impairment losses	(76,933)	(322,335)
Net gain (loss) on business reorganization and others	27,508	82,376
Special termination benefits	(8,062)	(9,584)
Expenses related to competition law and others	(254)	(1,730)
Loss due to the settlement of the South African project	(375,967)	-

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, 2019 and 2018 were ¥86,358 million and ¥332,462 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 Energy 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.

Impairment losses for the nine months ended December 31, 2019 mainly include ¥61,431 million due to the lower than expected, future revenue projected for the magnetic materials business in the Hitachi Metals segment consisting of impairment losses on property, plant and equipment of ¥22,479 million and on intangible assets of ¥38,952 million. The recoverable amount was determined on the basis of value in use, which was measured at ¥106,313 million as of September 30, 2019, the date on which impairment losses were recognized. The value in use was discounted at 9.6% (before tax), which was derived from the weighted average cost of capital.

The detail of loss due to the settlement of the South African project is disclosed in note 5.

(12) Financial Income and Expenses

The main components of financial income and expenses for the nine months ended December 31, 2019 and 2018 are as follows:

Millions of yen

	2019	2018
Dividends received	4,628	5,060
Exchange gain (loss)	7,542	9,289

Dividends received for the nine months ended December 31, 2019 and 2018 are from FVTOCI financial assets.

(13) Discontinued Operations

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

Profit or loss and cash flows from the discontinued operations for the nine months ended December 31, 2019 and 2018 are as follows:

Millions of yen

	2019	2018
Profit or loss from discontinued operations		
Revenues	24	(6,429)
Cost of sales and expenses	(1,212)	(581)
Loss from discontinued operations, before income taxes	(1,188)	(7,010)
Income taxes	1	2,606
Loss from discontinued operations	(1,187)	(4,404)

Millions of yen

	2019	2018
Cash flows from discontinued operations		
Cash flows from operating activities	(2,181)	(17,236)
Cash flows from investing activities	-	-
Cash flows from financing activities	2,247	16,793

(14) Earnings Per Share (EPS) Information

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the nine months ended December 31, 2019 and 2018 are as follows:

Nine months ended December 31

Number of shares

	2019	2018
Weighted average number of shares on which basic EPS is calculated	965,702,013	965,637,627
Effect of dilutive securities		
Stock options	890,960	759,283
Restricted stock	361,911	-
Number of shares on which diluted EPS is calculated	966,954,884	966,396,910

Millions of yen

	2019	2018
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	56,333	87,031
Effect of dilutive securities	-	-
Diluted	56,333	87,031
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(1,187)	(4,404)
Effect of dilutive securities	-	-
Diluted	(1,187)	(4,404)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	55,146	82,627
Effect of dilutive securities	-	-
Diluted	55,146	82,627

Yen

	2019	2018
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	58.33	90.13
Diluted	58.26	90.06
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(1.23)	(4.56)
Diluted	(1.23)	(4.56)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	57.10	85.57
Diluted	57.03	85.50

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

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the three months ended December 31, 2019 and 2018 are as follows:

Three months ended December 31

Number of shares

	2019	2018
Weighted average number of shares on which basic EPS is calculated	965,716,582	965,617,891
Effect of dilutive securities		
Stock options	-	-
Restricted stock	-	-
Number of shares on which diluted EPS is calculated	965,716,582	965,617,891

Millions of yen

	2019	2018
Net loss from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	(133,756)	(109,967)
Effect of dilutive securities	-	-
Diluted	(133,756)	(109,967)
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(391)	(401)
Effect of dilutive securities	-	-
Diluted	(391)	(401)
Net loss attributable to Hitachi, Ltd. stockholders		
Basic	(134,147)	(110,368)
Effect of dilutive securities	-	-
Diluted	(134,147)	(110,368)

Yen

	2019	2018
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	(138.50)	(113.88)
Diluted	(138.50)	(113.88)
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(0.40)	(0.42)
Diluted	(0.40)	(0.42)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	(138.91)	(114.30)
Diluted	(138.91)	(114.30)

Note: Stock options and restricted stock are excluded from the calculations of diluted EPS attributable to Hitachi, Ltd. stockholders for the three months ended December 31, 2019 and 2018 because they are antidilutive.

(15) Contingencies

(a) Litigation

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

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

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

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

In December 2017, a subsidiary and an associate in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of EUR 263 million (¥32,234 million) and interest allegedly incurred by performance defects of a power plant. As of December 31, 2019, the amount of compensation claimed by the customer was changed to EUR 270 million (¥33,089 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.

On December 18, 2019, the Company approved a settlement based on economic rationality and business strategy, etc., and reached a settlement agreement with MHI on the same day. The effect of this settlement is disclosed in note 5.

(16) Subsequent Events

(Issuance of unsecured straight bonds)

On January 31, 2020, the Company decided to issue unsecured straight bonds up to ¥200 billion after February 2020 in order to secure funds for its growth strategy. The Company plans to issue the bonds through a public offering in Japan for investment purposes and loan.

(17) Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements were approved on February 10, 2020 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 10, 2020
[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 151st fiscal year (from October 1, 2019 to December 31, 2019) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.