HITACHI
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Annual Securities Report

(The 153rd Business Term)
From April 1, 2021 to March 31, 2022

6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Hitachi, Ltd.

[Cover]

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

This is an English translation of the Annual Securities Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' NETwork ("EDINET") pursuant to the Financial Instruments and Exchange Act of Japan with some contents including cover page, table of contents and URL of the reference information.

Certain information in "Part I. Information on the Company - II. Business Overview - 2. Risk Factors - Risks Related to Our American Depositary Shares" is only included in this English translation of the Annual Securities Report for ADSs holders and not included in the original report.

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

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

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

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

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

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

Contents

Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

(1) Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

Fiscal year	IFRS				
	149th business term	150th business term	151st business term	152nd business term	153rd business term
Year end	March 2018	March 2019	March 2020	March 2021	March 2022
Revenues	9,368,614	9,480,619	8,767,263	8,729,196	10,264,602
Income from continuing operations, before income taxes	638,646	516,502	180,268	844,443	839,333
Net income attributable to Hitachi, Ltd. stockholders	362,988	222,546	87,596	501,613	583,470
Comprehensive income attributable to Hitachi, Ltd. stockholders	382,341	171,140	(8,465)	838,237	958,008
Total Hitachi, Ltd. stockholders' equity	3,278,024	3,262,603	3,159,986	3,525,502	4,341,836
Total equity	4,511,671	4,414,403	4,266,739	4,458,232	5,355,277
Total assets	10,106,603	9,626,592	9,930,081	11,852,853	13,887,502
Total Hitachi, Ltd. stockholders' equity per share (yen)	3,395.00	3,378.81	3,270.43	3,646.46	4,488.91
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	375.93	230.47	90.71	519.29	603.75
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	375.60	230.25	90.60	518.51	602.96
Total Hitachi, Ltd. stockholders' equity ratio (%)	32.4	33.9	31.8	29.7	31.3
Return on equity (%)	11.6	6.8	2.7	15.0	14.8
Price earnings ratio (times)	10.3	15.6	34.6	9.6	10.2
Net cash provided by operating activities	727,168	610,025	560,920	793,128	729,943
Net cash used in investing activities	(474,328)	(162,872)	(525,826)	(458,840)	(1,048,866)
Net cash provided by (used in) financing activities	(321,454)	(320,426)	2,837	(184,838)	202,739
Cash and cash equivalents at end of year	697,964	807,593	812,331	1,015,886	968,827
Number of employees	307,275	295,941	301,056	350,864	368,247

(Notes) 1. Our consolidated financial statements have been prepared in conformity with IFRS.

2. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The figures for total Hitachi, Ltd. stockholders' equity per share and earnings per share attributable to Hitachi, Ltd. stockholders, basic and diluted, are calculated on the assumption that the Company conducted this share consolidation at the beginning of the 149th business term.

3. Average numbers of part-time employees, etc. are not stated since those were less than 10% of the number of employees.

(2) Financial data etc. of the Company

(Millions of yen, unless otherwise stated)

Fiscal year	149th business term	150th business term	151st business term	152nd business term	153rd business term
Year end	March 2018	March 2019	March 2020	March 2021	March 2022
Revenues	1,930,293	1,927,241	1,793,250	1,678,223	1,623,424
Ordinary income	131,294	304,069	355,490	305,461	365,049
Net income	136,117	174,062	119,409	705,511	516,115
Common stock	458,790	458,790	459,862	460,790	461,731
Number of issued shares (thousands of shares)	4,833,463	966,692	967,280	967,885	968,234
Total net assets	1,536,018	1,563,456	1,579,058	2,243,742	2,643,733
Total assets	4,017,373	3,934,118	4,004,408	4,982,609	5,815,620
Net assets per share (yen)	1,589.79	1,617.32	1,631.97	2,318.50	2,731.77
Dividends per share (yen) [Of the above, interim dividends per share (yen)]	15 [7]	58 [8]	95 [45]	105 [50]	125 [60]
Net income per share, basic (yen)	140.97	180.26	123.59	729.77	533.63
Net income per share, diluted (yen)	140.85	180.09	123.49	729.18	533.30
Stockholders' equity ratio (%)	38.2	39.7	39.4	45.0	45.4
Return on equity (%)	9.0	11.2	7.6	36.9	21.1
Price earnings ratio (times)	27.3	19.9	25.4	6.9	11.6
Dividend payout ratio (%)	53.2	50.0	76.9	14.4	23.4
Number of employees	34,925	33,490	31,442	29,850	29,485
Total shareholder return (%) [Comparative indicator : TOPIX] (%)	130.4 (113.5)	124.5 (105.2)	113.0 (92.8)	178.2 (129.2)	220.9 (128.7)
Highest share price (yen)	944.2	3,925.0 [873.7]	4,693.0	5,515.0	7,460.0
Lowest share price (yen)	566.3	2,767.5 [692.1]	2,524.0	2,855.0	4,750.0

(Notes) 1. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The figures for net assets per share and net income per share, basic and diluted, are calculated on the assumption that the Company conducted this share consolidation at the beginning of the 149th business term.

2. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. 58 yen of dividends per share for the 150th business term is the sum of 8 yen of the interim dividend per share before the share consolidation and 50 yen of the year-end dividend per share after the share consolidation.

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

4. The highest and lowest share prices are market prices on the first section of the Tokyo Stock Exchange. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. Regarding the 150th business term, the figures in the upper row are the highest and lowest prices after the share consolidation and the figures in brackets in the lower row are those before the share consolidation.

5. Effective from the 153rd business term, the Company adopted the "Accounting Standard for Revenue recognition" (ASBJ Statement No.29, March 31, 2020). The figures for key financial data for the 153rd business term are restated as the standard is applied.

2. History

1910 – 1945
Founding period
Challenges faced by Hitachi's pioneers

	1910	Founded as a repair shop at Hitachi copper mine of Kuhara Mining Company
Feb.	1920	Incorporated as Hitachi, Ltd. with the Hitachi and Kameido Works
Feb.	1921	Acquired the Kasado shipyard from Nippon Kisen Co., Ltd. and established Kasado Works
May	1935	Equity participation in Kyousei Reiki Kogyo K.K. (later changed its name to Hitachi Plant Engineering & Construction Co., Ltd.)
May	1937	Merged Kokusan Industries, Ltd. and established 7 factories, including Totsuka Works
Apr.	1939	Established Taga Works, spun off Hitachi Research Laboratory from Hitachi Works
Sep.	1940	Established Mito Works
Apr.	1942	Established Central Research Laboratory
Sep.	1943	Merged Riken Vacuum Industry and established Mobara Works
Mar.	1944	Spun off Shimizu Works from Kameari Works
Dec.		Spun off Tochigi Works from Taga Works

1910
A five-horsepower induction motor, one of the products we offered during our founding period (motor)

1946 – 1960
Postwar reconstruction period
Path to reconstruction

Apr.	1947	Established Hinode Shokai Co., Ltd. (currently Hitachi High-Tech Corporation)
May	1949	Established Higashi-Nippon Senikikai K.K. (later changed its name to Hitachi Medical Corporation)
Feb.	1950	Established Nitto Transport K.K. (currently Hitachi Transport System, Ltd.)
May	1955	Established Hitachi Sales Corporation
Oct.	1956	Spun off Hitachi Metals Industries, Ltd. (currently Hitachi Metals, Ltd.) and Hitachi Cable, Ltd.
Nov.		Established Hitachi Kiden Kogyo, Ltd.
Jun.	1957	Spun off Kokubu Works from Hitachi Works
Feb.	1959	Established Yokohama Works
Oct.		Established Hitachi New York, Ltd. (currently Hitachi America, Ltd.)
Jun.	1960	Equity participation in Nippon Business Consultant Co., Ltd. (later changed its name to Hitachi Information Systems, Ltd.)
Aug.		Established Hitachi Geppan Corp. (later changed its name to Hitachi Credit Corporation)

1956
Escalators that became vertical metropolitan pathways

1961 – 1970
Rapid growth period
Fostering comprehensive strength

Feb.	1961	Spun off Naka Works from Taga Works;
		Equity participation in Maxell Electric Industrial Co., Ltd.
Aug.		Established Katsuta Works
Aug.	1962	Established Kanagawa Works
Feb.	1963	Spun off Narashino Works from Kameido Works
Apr.		Spun off Hitachi Chemical Company, Ltd.
Feb.	1966	Established Mechanical Engineering Research Laboratory
Feb.	1968	Spun off Sawa Works from Taga Works, spun off Tokai Works from Yokohama Works, and spun off Odawara Works from Kanagawa Works

1964
The world's first Shinkansen (bullet train) cars to reach 200 km/h

Feb.	1969	Established Software Works
Apr.		Established Ome Works
Aug.		Established Omika Works
Dec.		Spun off Hitachi Construction Machinery Co., Ltd.
May	1970	Established Takasaki Works
Sep.		Established Hitachi Software Engineering Co., Ltd.

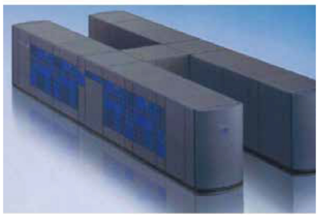
1971 — 1985
Transitional period
Focus on growth sectors

Apr.	1971	Acquired Asahi Works from Hitachi Denshi, Ltd.
Jun.		Established Production Engineering Research Laboratory
Feb.	1973	Established Systems Development Laboratory
Jun.	1974	Established Tsuchiura Works
Nov.		Relocated Kameido Works and renamed to Nakajo Works
Jun.	1982	Established Hitachi Europe Ltd.
Apr.	1985	Established Advanced Research Laboratory

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

1986 — 2008
Reform period
Strengthening of Group management

Feb.	1989	Established Hitachi Asia Pte. Ltd. (currently Hitachi Asia Ltd.)
Feb.	1991	Integrated Sawa Works into Automotive Products Division
Aug.		Integrated Katsuta Works into Materials Process Technology Division; integrated Totsuka Works into Information & Telecommunication Division; integrated Naka Works into Instruments Division
Feb.	1992	Integrated Yokohama Works and Tokai Works into AV Products Division
Aug.		Changed operation unit of home appliances, computers and electronic devices businesses from factory to business division
Feb.	1993	Integrated Semiconductor Technology Development Center, Musashi Works and Takasaki Works into Semiconductor Division
Aug.		Integrated Shimizu Works into Air Conditioning Division, integrated Nakajo Works and Narashino Works into Industrial Equipment Division
Aug.	1994	Integrated Consumer Products Group and Image & Information Media Division and renamed to Consumer Products & Information Media Systems Group
Oct.		Established Hitachi (China), Ltd.
Feb.	1995	Reorganized business groups as Power & Industrial Systems Group, Consumer Products & Information Media Systems Group, Information Systems Group and Electronics Components Group; integrated a part of R&D division and sales division into the business groups
Apr.		Merged Hitachi Sales Corporation
Apr.	1999	Reorganized business groups into de facto companies to independently operate each business group
Oct.	2000	Merged Hitachi Credit Corporation with Hitachi Leasing Corp. and changed its name to Hitachi Capital Corporation



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

Oct.	2001	Split Instruments Group and Semiconductor Manufacturing Equipment Group via company split and reorganized as Hitachi High -Technologies Corporation (currently Hitachi High-Tech Corporation); Split Industrial Machinery Systems Division via company split and reorganized as Hitachi Industries Co., Ltd.
Apr.	2002	Split Home Appliance Group via company split and reorganized as Hitachi Home & Life Solutions, Inc.; Split Industrial Equipment Group via company split and reorganized as Hitachi Industrial Equipment Systems Co., Ltd.
Oct.		Split Display Group via company split and established Hitachi Displays, Ltd.; Split Telecommunication Equipment Division via company split and reorganized as Hitachi Communication Technologies, Ltd.; Turned Unisia Jecs Corporation (later changed its name to Hitachi Unisia Automotive, Ltd.) into a wholly owned subsidiary via share exchange
Jan.	2003	Acquired HDDs business from IBM Corp., and commenced operations as Hitachi Global Storage Technologies Netherlands B.V.
Apr.		Split semiconductor business, centering on system LSIs, via company split and established Renesas Technology Corp. (merged with NEC Electronics Corporation and changed its name to Renesas Electronics Corporation in April 2010, and ceased to be an affiliate of the Company due to a decrease in the Company's ownership percentage of voting rights in September 2013)
Jun.		Adopted committee system as the Company's corporate governance structure
Oct.	2004	Merged TOKICO, Ltd. and Hitachi Unisia Automotive, Ltd.; Split Mechatronics System Division, centering on ATMs, via company split and established Hitachi-Omron Terminal Solutions, Corp. (later changed its name to Hitachi Channel Solutions, Corp.)
Apr.	2006	Split Social & industrial infrastructure business via company split and integrated with Hitachi Plant Engineering & Construction Co., Ltd., Hitachi Kiden Kogyo, Ltd. and Hitachi Industries Co., Ltd. and reorganized as Hitachi Plant Technologies, Ltd.; Merged Hitachi Home & Life Solutions, Inc. with Hitachi Air Conditioning Systems Co., Ltd. and changed its name to Hitachi Appliances, Inc.
Dec.		Turned Clarion Co., Ltd. into a consolidated subsidiary via tender offer
Jul.	2007	Split nuclear power systems business via company split and reorganized as Hitachi-GE Nuclear Energy, Ltd.

2001
Proton therapy system
(University of Tsukuba Hospital)

2009 —
Regeneration period
Toward a global Hitachi

Mar.	2009	Turned Hitachi Koki Co., Ltd. into a consolidated subsidiary via tender offer; Turned Hitachi Kokusai Electric Inc. into a consolidated subsidiary via tender offer
Jul.		Merged Hitachi Communication Technologies, Ltd.; Split Automotive Systems Group via company split and established Hitachi Automotive Systems, Ltd.; Split Consumer Business Group via company split and established Hitachi Consumer Electronics Co., Ltd.
Oct.		Reorganized business groups into in-house companies with independent accounting to promote quick business operation
Feb.	2010	Turned Hitachi Information Systems, Ltd., Hitachi Software Engineering Co., Ltd. and Hitachi Systems & Services, Ltd. into wholly owned subsidiaries
Apr.		Turned Hitachi Plant Technologies, Ltd. and Hitachi Maxell, Ltd. into wholly owned subsidiaries via share exchanges (turned Hitachi Maxell, Ltd. into an equity-method associate of the Company via selling its shares in March 2014, and ceased to be an affiliate of the Company in March 2017 due to selling its shares)
Oct.		Merged Hitachi Software Engineering Co., Ltd. with Hitachi Systems & Services, Ltd. and changed its name to Hitachi Solutions, Ltd.
Oct.	2011	Merged Hitachi Electronics Services Co., Ltd. with Hitachi Information Systems, Ltd. and changed its name to Hitachi Systems, Ltd.

Mar.	2012	Transferred HDDs business to Western Digital Corporation via share sale of Viviti Technologies Ltd., a holding company for Hitachi Global Storage Technologies Inc., etc. Transferred small and medium-sized displays business via share sale of Hitachi Displays, Ltd.
Apr.	2013	Merged Hitachi Plant Technologies, Ltd.
Jul.		Merged Hitachi Metals, Ltd. with Hitachi Cable, Ltd.
Feb.	2014	Split thermal power generating systems business via company split and transferred to Mitsubishi Hitachi Power Systems, Ltd. (ceased to be an affiliate of the Company in September 2020 due to selling its shares)
Mar.		Turned Hitachi Medical Corporation into a wholly owned subsidiary via share exchange (changed its name to Hitachi Healthcare Manufacturing, Ltd. following the reorganization of Hitachi's healthcare business in April 2016)
Apr.	2015	Reorganized Central Research Laboratory, Hitachi Research Laboratory, Yokohama Research Laboratory, Design Division and overseas R&D facilities into Global Center for Social Innovation, Center for Technology Innovation and Center for Exploratory Research to establish global R&D structure from the customers' perspective
Oct.		Hitachi Appliances, Inc. transferred its air-conditioning systems business to a joint venture established with Johnson Controls Inc.
Apr.	2016	Reorganized in-house companies into business units as a market-specific business structure
May		Turned Hitachi Transport System, Ltd. into an equity-method associate of the Company via sale of a part of its shares
Oct.		Turned Hitachi Capital Corporation into an equity-method associate of the Company via sale of a part of its shares (ceased to be an affiliate of the Company as a result of the merger with Mitsubishi UFJ Lease & Finance Company Limited. in April 2021)
Mar.	2017	Transferred power tools business via share sale of Hitachi Koki, Co., Ltd.
Jun.	2018	Sold semiconductor manufacturing equipment business of Hitachi Kokusai Electric Inc. and also turned it into an equity-method associate of the Company

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

2019 — Toward further growth

Mar.	2019	Transferred car information systems business via share sale of Clarion, Co., Ltd.
Apr.		Merged Hitachi Appliances, Inc. with Hitachi Consumer Marketing, Inc. and changed its name to Hitachi Global Life Solutions, Inc.
Apr.	2020	Transferred the business of Hitachi Chemical Company, Ltd. via share sale of the company
May		Turned Hitachi High-Tech Corporation into a wholly owned subsidiary
Jul.		Acquired the power grids business from ABB Ltd and commenced operations as Hitachi ABB Power Grids Ltd. (later changed its name to Hitachi Energy Ltd)
Jan.	2021	Merged Hitachi Automotive Systems, Ltd. with Keihin Corporation, Showa Corporation and Nissin Kogyo Co., Ltd. and changed its name to Hitachi Astemo, Ltd.
Mar.		Split the diagnostic imaging-related business via company split and transferred to FUJIFILM Healthcare Corporation and sold the business via share sale of the company
July		Hitachi Global Digital Holdings LLC (later changed its name to Hitachi Digital LLC) turned GlobalLogic Worldwide Holdings, Inc., which has GlobalLogic Inc. as a subsidiary, into a wholly owned subsidiary

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

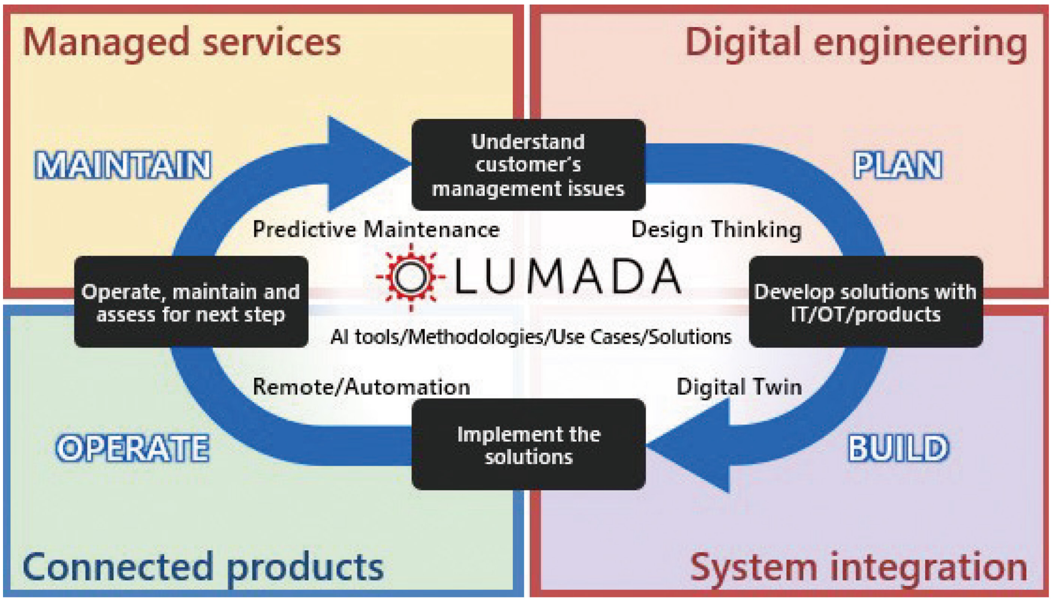
Please check out our YouTube channel.
https://www.youtube.com/watch?v=mclBcKeywTY

3. Description of Business

As of March 31, 2022, the Hitachi Group, which is comprised of the Company and 1,140 affiliates (853 consolidated subsidiaries and 287 equity-method associates and joint ventures.), positions five sectors: "IT," "Energy," "Industry," "Mobility" and "Smart Life," as growth areas and allocates related business units into each sector. "Automotive System" positions alongside the above five sectors. Ranging over the nine segments from the six sectors to additional two listed subsidiary groups as Hitachi Construction Machinery and Hitachi Metals, and Others, the Hitachi Group engages in a broad range of business activities, from product development and manufacturing to sales and services.

(Note) From April 1, 2022, in order to improve efficiency and speed of management, the Company summarize its businesses with similar business characteristics and simplified the organization into three sectors; "Digital Systems & Services," "Green Energy & Mobility," "Connective Industries." Therefore, Hitachi Group has seven segments; the above three sector, the Automotive Systems, two listed subsidiary groups as Hitachi Construction Machinery and Hitachi Metals, and Others.

One of the Hitachi's strengths is the ability to provide solutions that use digital technologies to resolve issues that customers and society face and our operational technology (OT), which runs equipment and systems at production sites, and social infrastructure such as railways and power distribution systems in addition to the high-quality and highly reliable products.



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

Based on its understanding of customers' management issues, the Lumada business will design, implement, operate, and maintain solutions through collaborative value with customers. Rather than relying merely on product sales, we will strive to expand the Lumada business by leveraging our strengths in OT x IT x Products, commercializing our expertise in various industries and operations and shifting to digital solutions that can be provided to multiple customers in order to build a business model based on value created through the provision of solutions, such as fee income profit model.

Please check out our YouTube channel.
https://www.youtube.com/watch?v=3TVImeISeXE

Major business outline for each segment and the positioning of Business Units (BU) of the Company and principal affiliated companies are described as follows.

(As of March 31, 2022)

Main products and services	BU and principal affiliated companies	
	BU	Affiliated companies
IT Digital Solutions (Consulting, Software, Cloud Services, System Integration, Control Systems), IT Products (Storage, Servers), ATMs	Financial Institutions BU Social Infrastructure Systems BU Services & Platforms BU	[Consolidated subsidiaries] Hitachi Information & Telecommunication Engineering, Ltd. Hitachi Channel Solutions Corp. Hitachi Solutions, Ltd. Hitachi Systems, Ltd. GlobalLogic Worldwide Holding, Inc. Hitachi Computer Products (America), Inc. Hitachi Global Digital Holdings LLC Hitachi Payment Services Private Limited Hitachi Vantara LLC
Energy Energy Solutions (Nuclear, Renewable Energy, Thermal, Power Grid)	Nuclear Energy BU Energy BU Power Grid BU	[Consolidated subsidiaries] Hitachi-GE Nuclear Energy, Ltd. Hitachi Plant Construction, Ltd. Hitachi Power Semiconductor Device, Ltd. Hitachi Power Solutions Co., Ltd. Hitachi Energy Ltd
Industry Industry & Distribution Solutions, Water & Environment Solutions, Industrial Machinery	Industry & Distribution BU Water & Environment BU	[Consolidated subsidiaries] Hitachi Industrial Equipment Systems Co., Ltd. Hitachi Industrial Products, Ltd. Hitachi Industry & Control Solutions, Ltd. Hitachi Plant Services Co., Ltd. Hitachi Industrial Holdings Americas, Inc. JR Technology Group, LLC Sullair, LLC [Equity-method associates] Hitachi Kokusai Electric Inc.
Mobility Building Systems (Elevators, Escalators), Railway Systems	Building Systems BU Railway Systems BU	[Consolidated subsidiaries] Hitachi Building Systems Co., Ltd. Hitachi Elevator (China) Co., Ltd. Hitachi Rail Ltd.
Smart Life Smart Life & Ecofriendly Systems (Home Appliances, Air Conditioners), Measurement and Analytical Systems (Medical and Bio, Semiconductor, Industry),	-	[Consolidated subsidiaries] Hitachi Global Life Solutions, Inc. Hitachi High-Tech Corporation [Equity-method associates] Arcelik Hitachi Home Appliances B.V. Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd
Automotive Systems Automotive System(Powertrain, Chassis, Advanced Driver Assistance, Motorcycle)	-	[Consolidated subsidiaries] Hitachi Astemo, Ltd. Hitachi Astemo Americas, Inc.
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.
Others Optical Disk Drives, Property Management	-	[Consolidated subsidiaries] Hitachi-LG Data Storage, Inc. Hitachi Real Estate Partners, 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 Global Digital Holdings LLC changed its name to Hitachi Digital LLC on April 1, 2022.

3. In addition to the table above, the major equity-method associate is Hitachi Transport System, Ltd. as of March 31, 2022.

4. Information on Affiliates

(1) Consolidated subsidiaries

(As of March 31, 2022)

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

(As of March 31, 2022)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
**GlobalLogic Worldwide Holdings, Inc.	California, U.S.A.	(Thousands of US dollars) 8,373,504	IT	[100.0] 100.0	The company operates digital engineering service business. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	(Thousands of US dollars) 14,000	IT	[100.0] 100.0	The Company supplies parts for computer peripherals. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Global Digital Holdings LLC	California, U.S.A.	(Thousands of US dollars) 9,918,641	IT	100.0	Holding company for Hitachi Vantara LLC, etc. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Payment Services Private Limited	Chennai, India	(Thousands of Indian rupee) 79,158	IT	[58.8] 100.0	Offering the Hitachi Group's payment services for financial institutions in India. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Vantara LLC	California, U.S.A.	(Thousands of US dollars) 925,000	IT	[100.0] 100.0	Sales company for the Company's storage, etc. The Company outsources consulting services. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	5,000	Energy	80.0	The Company delivers nuclear power generation equipment, etc. The Company’s Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2022)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	3,000	Energy	100.0	Construction of the Company's energy and industrial plants, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Power Semiconductor Device, Ltd.	Hitachi, Ibaraki	450	Energy	100.0	The Company purchases semiconductor components. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	4,000	Energy	100.0	The Company purchases power plant parts, and outsources maintenance of power generation equipment and control equipment, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Energy Ltd	Zurich, Switzerland	(Thousands of Swiss franc) 1,250	Energy	80.1	Holding company for power grids business companies from which the Company purchases power grids devices, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	10,000	Industry	100.0	The Company purchases industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Industrial Products, Ltd.	Chiyoda-ku, Tokyo	10,000	Industry	100.0	The Company purchases industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2022)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki	3,000	Industry	100.0	The Company outsources development of information control systems, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	3,000	Industry	100.0	Construction of the Company's industrial and public plants, etc. The Company outsources the services for them. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Industrial Holdings Americas, Inc.	Illinois, U.SA.	(Thousands of US dollars) 1,967,670	Industry	[100.0] 100.0	Holding company for JR Technology Group LLC and Sullair, LLC. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
JR Technology Group, LLC	Michigan, U.S.A.	-	Industry	[100.0] 100.0	Holding company for JR Automation Technology, LLC, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Sullair, LLC	Indiana, U.S.A.	-	Industry	[100.0] 100.0	The Company purchases industrial equipment. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2022)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	5,105	Mobility	100.0	Design, manufacturing, sales, installation and maintenance, etc. of the elevators and escalators the Company developed. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	(Thousands of Chinese yuan) 538,806	Mobility	[70.0] 70.0	Sales, installation and maintenance, etc. of the Hitachi Group's elevators and escalators in China. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
**Hitachi Rail Ltd.	London, U.K.	(Thousands of Sterling pounds) 878,181	Mobility	100.0	Manufacturing, sales, engineering and maintenance of the Company's rail systems products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Global Life Solutions, Inc.	Minato-ku, Tokyo	20,000	Smart Life	100.0	Manufacturing and sales of the Hitachi Group's home appliances, and sales, system installation and maintenance of the Group's air-conditioning and refrigerating products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi High-Tech Corporation	Minato-ku, Tokyo	7,938	Smart Life	100.0	The Company sells and purchases information equipment and power-related parts, etc. through this company.

(As of March 31, 2022)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
**Hitachi Astemo, Ltd.	Hitachinaka, Ibaraki	51,500	Automotive Systems	66.6	The Company purchases parts for railway vehicles, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Astemo Americas, Inc.	Kentucky, U.S.A.	(Thousands of US dollars) 86,278	Automotive Systems	[100.0] 100.0	Manufacturing and sales company in North America for the Hitachi Group's automotive systems products.
** *Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo	81,576	Hitachi Construction Machinery	51.5	The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
*Hitachi Metals, Ltd.	Minato-ku, Tokyo	26,283	Hitachi Metals	53.4	The Company purchases specialty steel products, functional components and equipment, magnetic materials and power electronics materials and wires, cables, and related products. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo	4,800	Others	51.0	Development, manufacturing and sales company for the Hitachi Group's optical disk drives. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Real Estate Partners, Ltd.	Chiyoda-ku, Tokyo	2,000	Others	100.0	The Company outsources management of welfare facilities for employees, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2022)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
**Hitachi America, Ltd.	California, U.S.A.	(Thousands of US dollars) 14,007,947	Others	100.0	The Hitachi Group's regional supervising company in Americas, and sells the Hitachi Group's healthcare-related products, etc., as well as promotes R&D in Americas. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Asia Ltd.	Singapore	(Thousands of Singapore dollars) 127,649	Others	100.0	The Hitachi Group's regional supervising company for Asia, and sells the Hitachi Group's industrial machinery and train-, healthcare- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi (China), Ltd.	Beijing, China	(Thousands of US dollars) 226,380	Others	100.0	The Hitachi Group's regional supervising company for China, and sells the Hitachi Group's plant, industrial machinery and train-, healthcare- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Hitachi Europe Ltd.	Stoke Poges, U.K.	(Thousands of Sterling pounds) 253,049	Others	100.0	The Hitachi Group's regional supervising company for Europe, and sells the Hitachi Group's plants, industrial machinery and digital media- and information-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.

(As of March 31, 2022)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi India Pvt. Ltd.	New Delhi, India	(Thousands of Indian rupee) 344,000	Others	[100.0] 100.0	The Hitachi Group's regional supervising company for India, and sells the Hitachi Group's plants, industrial machinery and digital media-related products, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Others - 816 companies	-	-	-	-	-

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

2. The common stock of JR Technology Group, LLC and Sullair, LLC is not shown since they are limited liability companies under the U.S. law, and do not have the "common stock".

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

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

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

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

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

Hitachi Power Europe GmbH	127,520 million yen
Hitachi Astemo Netherlands B.V.	11,522 million yen

8. Hitachi Global Digital Holdings LLC changed its name to Hitachi Digital LLC on April 1, 2022.

9. Hitachi Metals, Ltd. changed its head office location from Minato-ku, Tokyo to Koto-ku, Tokyo on June 21, 2022.

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

Key information on profit or loss:

1) Revenues	1,075,776 million yen
2) Income from continuing operations, before income taxes	50,121 million yen
3) Income	32,666 million yen
4) Total equity	52,147 million yen
5) Total assets	1,220,703 million yen

(2) Equity-method associates and joint ventures

(As of March 31, 2022)

Company name	Location	Common stock	Principal business	Ownership percentage of voting rights (%)	Relationship
Hitachi Kokusai Electric Inc.	Minato-ku, Tokyo	1,000	Industry	20.0	The Company purchases electronic equipment and parts, etc. The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers.
Arcelik Hitachi Home Appliances B.V.	Amsterdam, Netherlands	(Euros) 10,000	Smart Life	[40.0] 40.0	Holding company for operating companies for the Hitachi Group's home appliances business in overseas market.
Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd	Hampshire, U.K.	(Thousands of US dollars) 935,107	Smart Life	[40.0] 40.0	Holding company for air-conditioning systems business companies from which the Hitachi Group purchases air-conditioning systems devices.
*Hitachi Transport System, Ltd.	Chuo-ku, Tokyo	16,802	Logistics services	39.9	The Company entrusts transportation and storage of products.
Others - 283 companies	-	-	-	-	-

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

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

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

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

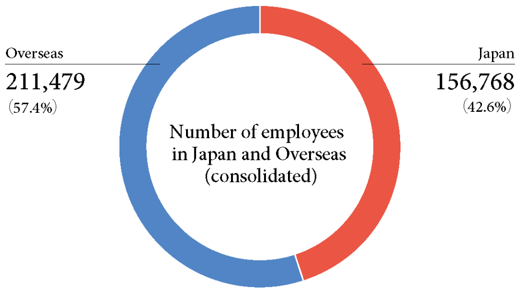
GE-Hitachi Nuclear Energy Holdings LLC 18,014 million yen

5. Employees

(1) Consolidated basis

(As of March 31, 2022)

Name of segment	Number of employees
IT	96,996 [15,575]
Energy	44,291 [1,161]
Industry	23,221 [2,548]
Mobility	53,604 [2,958]
Smart Life	18,402 [1,076]
Automotive Systems	64,152 [-]
Hitachi Construction Machinery	24,263 [-]
Hitachi Metals	27,753 [-]
Others	12,375 [2,977]
Corporate (Head Office and others)	3,190 [3,190]
Total	368,247 [29,485]



(Note) The number in brackets in the lower row of the “Number of Employees” column is the number of employees of the Company included in each of the numbers in the upper row.

(2) The Company

(As of March 31, 2022)

Number of employees	Average age	Average length of service	Average annual salary
29,485	42.7	19.3 years	8,969,979 yen

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

(3) Relationship with labor union

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

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

II. Business Overview

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

(1) Management Policy

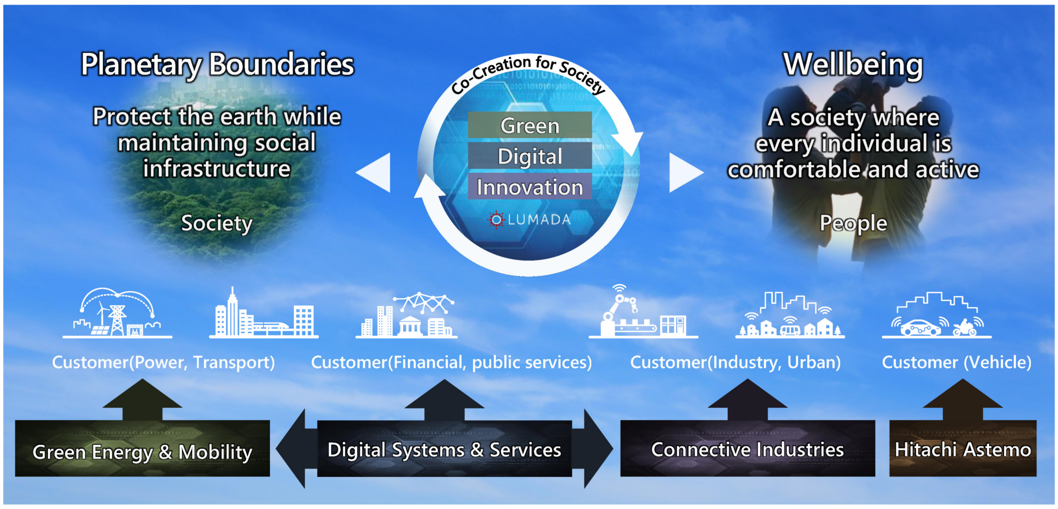
The Hitachi Group aims to achieve further progress by delivering competitive products and services, thereby creating higher value for customers, following its Mission: to contribute to society through the development of superior, original technology and products. By taking full advantage of the diverse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

(2) Economic Environment and Challenges Hitachi Group Faces

1) Hitachi Group

In today's world, the future is increasingly difficult to foresee. A myriad of changes is taking place, including climate change, resource shortages, aging populations and problems of urbanization. The spread of COVID-19 (the new coronavirus infection) and Ukraine conflict is bringing dramatic changes to society and economies worldwide, with its profound, adverse economic repercussions in each country. On the other hand, innovations to solve social issues caused by these changes are emerging across the globe.

In this economic environment, under this new mid-term management plan, Hitachi aims to help establish a sustainable society, where Wellbeing (people's happiness), a state where every person in society can demonstrate their capabilities in comfort, is maintained as well as the global environment is protected in a way that the Planetary Boundary (the planet's limits) will not be exceeded.



We will focus on the following policies in particular.

i) Initiatives to achieve global growth

Hitachi aims to achieve global growth with "Digital," "Green" and "Innovation" as three drivers of growth. Each strategy is as follows.

Digital

Hitachi will contribute to improve customers' business value with the cycle of value co-creation that Hitachi will design, implement, operate, maintain solutions and assess for the next step based on its understanding of customers' issues.

Hitachi aims to increase the profitability of its Social Innovation Business and achieve the growth globally by driving a cycle of Lumada business with digital technology and increasing revenue from the entire cycle.

Green

Leading energy conversion, electrification, energy conservation, and automation, Hitachi aims to help establish a sustainable society, Hitachi will actively invest in the green sector to realize a contribution to reducing CO_2 emissions by approximately 100 million tons annually in fiscal year 2024, and move forward with decarbonization to achieve Hitachi Environmental Innovation 2050, in which it has established the target of achieving carbon neutrality throughout its value chain by 2050. Leveraging the expertise acquired in the process, Hitachi will provide environmental value that suit each business domain and region, in its efforts to achieve a sustainable society and growth.

Innovation

Hitachi will accelerate innovation by identifying fields where it should engage in R&D activities in anticipation of what the world will be like in 2050, strive to create innovative technologies and products that will help solve social issues, and continuing to accelerate its collaborations with promising startup companies, government and academia.

In addition, Hitachi has combined businesses with similar characteristics to increase the efficiency and speed of management and simplified the organization into three sectors: “Green Energy & Mobility,” “Digital Systems & Services” and “Connective Industries.” Hitachi provides customers with solutions based on a business structure composed of these three sectors and the automotive system business (Hitachi Astemo). As for the strategy of each sector, please refer to “2) 4 focused business areas”.

ii) Enhancement of the sustainable management

At the same time, Hitachi aims to minimize the impact of risks by collecting information about important business risks and building a global risk management system to proactively respond to risks. Hitachi will strive to acquire and develop digital talent, strengthen employee engagement and enhance diversity, equity and inclusion to support the cooperation beyond the organization. Hitachi enhances its sustainable management to ensure sustainable growth through these actions.

Through these activities, Hitachi will improve our ability to generate cash and achieve greater returns for our shareholders as well as invest in further growth.

While the business environment of Hitachi Group is changing rapidly and the future remains uncertain, Hitachi will strive to realize a sustainable society under its new mid-term management plan.

2) 4 focused business areas

The following are the operating environment and issues to be addressed in three focal sectors, Digital Systems & Services, Green Energy & Mobility, and Connective Industries, as well as at automotive systems.

(Digital System & Service)

Even in the uncertain social and economic situation, digital transformation (DX), an initiative aimed to transform corporate management and business models by leveraging digital technologies such as AI and IoT and an initiative for environment problems and Sustainable Development Goals (SDGs) are accelerated. Such initiatives expand markets globally.

The Digital Systems & Services sector aims to create values and accelerate problem solving for society and customers in the global DX market through combining Hitachi’s IT/ OT/ products by leveraging digital engineering capability of GlobalLogic which has merged in July 2021, and lead the growth of Lumada business in other sectors. In addition, the sector will scale up Lumada business by three approaches, such as evolving co-creation with customers, expanding pronven solutions to customers and forming an ecosystem with customers and partners.

The sector aims to be “Global leader in social infrastructure DX” and achieve sustainable growth in Lumada business by providing values continuously for society and customers as a partner in solving their issues while continuing to strengthen its management base, such as recruiting and training new human resources for digital technologies.

(Green Energy & Mobility)

Demand for energy is growing globally against the background of social innovation such as the increase of the size of data centers due to utilization of AI, big data, etc., the electrification in industry aiming for decarbonization, and the increase of applications for electric vehicles (EV), in addition to the increase of the population and economic growth. Given the need for action on climate change, moves toward a reduction in CO_2 emissions and the creation of a decarbonized society have been accelerating globally, while expectations are rising for an accelerating increase in the use of renewable energy and the use of railways as low-carbon mobility. The COVID-19 pandemic has triggered change (electrification/digitization) in the structure of industry due to the slowdown of the economy and decrease of capital expenditures, the promotion of economic recovery policies linked to environmental protection (Green Policy), the acceleration of reforms to address the SDG management.

The Green Energy & Mobility Sector helps to achieve sustainable social infrastructure with its integration capability and world's leading products. It helps bring happiness to people around the world through green energy and mobility that are friendly to the global environment. More specifically, the Green Energy & Mobility Sector products, services, and solutions leverage the strengths derived from a combination of operational technology (OT), IT, and products in power grids, renewable energy systems, nuclear power generation systems, railway systems, and other businesses. In the energy business, the Group will expand the delivery of services and solutions that will contribute to the achievement of carbon-neutral society by providing new solutions and promoting clean energy through the fusion of the power grid technologies of Hitachi Energy (former Hitachi ABB Power Grids) and digital technologies using Lumada. The railway system segment digitally connects traffic networks to accelerate the development of railway operation services using data.

Through these activities, the Green Energy & Mobility Sector contributes to an increase in the quality of life (QoL), including the creation of carbon-neutral society, stable energy supply, and delivery of safe, secure, and comfortable railway systems, as the business constituting the core of the creation of green value in the three growth areas in the Mid-term Management Plan 2024.

(Connective Industries)

Uncertainty in social environment is rapidly increasing due to the impact of COVID-19, and increase of natural disasters and geopolitical risks. Moreover, people's lifestyles and corporate activities are changing remarkably as a result of rapid improvement of digital technology, resulting in ever growing new demand for DX. This requires interdisciplinary boundary issue-solving between organizations, companies and industries.

The Connective Industries Sector creates sustainable values through digitally connecting competitive products such as industrial systems, elevators, measurement and analysis devices, medical instruments and household appliances, and providing them as solutions.

More specifically, the sector will further evolve and expand its total seamless solutions that solve the boundary issues that lie between management and workplaces and in supply chains and achieve total optimization by digitally connecting the physical world and cyberspace using Lumada. In addition, the sector strengthens the recurring business of continuously and cyclically providing services such as the maintenance and preventive maintenance leveraging data by enhancement of connected products.

In addition, for the global growth, the sector will launch total seamless solutions and expand its business through strengthening integration of robotics SI and digital technologies by JR Automation, and developing product connectedness in Sullair's air compressors, semiconductor manufacturing and measurement equipment and particle therapy system in North America, a key market.

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

(Automotive Systems)

The automobile and motorcycle industry, in which the automotive system business is operated by Hitachi Astemo and its affiliates, is embarking on a once-in-a-century revolution due to the growing needs of society, such as a decrease in the environmental burden, a further increase in comfort, and a reduction in the frequency of traffic accidents through an increase in safety. Competition continues to intensify in the CASE ("connected (internet connectivity)," "autonomous (self-driving)," "shared," and "electric (electrification) businesses.

Against this background, the automotive systems business will contribute to a sustainable society and the improvement of quality of life by meeting customer needs and providing advanced mobility solutions that lead the world based on its portfolio, which includes five businesses: powertrain and safety systems, chasses, motorcycles, software, and aftermarket services.

More specifically, the sector will contribute to better global environment by high-efficiency internal-combustion systems and electrification systems reducing GHG emissions while improving safety and comfort through self-driving systems, advanced driver-assistance systems, and advanced chassis systems as for providing solutions for social challenges in the areas of “Green”, “Digital” and “Innovation”. The sector will leverage Lumada to provide connected solutions and meet increasingly sophisticated customer needs, and also improve its ability to develop software to respond to the future shift to software-defined vehicles whose functions will be operated through software applications.

Along with these activities, the sector will strengthen its management base and corporate structure as a global mega supplier in the mobility industry.

(3) Climate-related Financial Information Disclosure

In June 2018, Hitachi announced its endorsement of the recommendations by the Financial Stability Board’s (FSB) Task Force on Climate-related Financial Disclosures (TCFD), and disclosed the key climate-related financial information in line with the TCFD’s recommendations.

This section is an extract. Please see the Hitachi Sustainability Report for more information.

i) Governance

Hitachi sees climate change and other environmental issues as important management issues.

The Board of Directors discusses the Group’s sustainability strategy, including climate change measures, as a key component of management strategy. Hitachi Environmental Innovation 2050, representing the Group’s long-term environmental targets including its CO2 emissions reduction targets, was developed and announced following it's being reported to the Board of Directors both when it was establishment and when it was revised.

In addition, the Audit Committee consisting of Outside Directors audits sustainability-related operations once a year and the operating officer in charge makes a report on important matters concerning climate change.

ii) Strategy

Hitachi established its Environmental Vision in fiscal 2016. Based on this, Hitachi Environmental Innovation 2050, including Hitachi’s long-term environmental targets, was developed considering the RCP 2.6 scenario (Note 1) and the RCP 8.5 scenario (Note 2) in the IPCC Fifth Assessment Report and using globally necessary CO2 emissions reduction as a reference, to contribute to the realization of a carbon-neutral society as it is demanded that global companies do. Moreover, in order to help limit the global temperature rise to 1.5°C as recommended in the IPCC Global Warming of 1.5°C report, in fiscal 2020 we revised our target to achieve carbon neutrality at Hitachi factories and offices by fiscal 2030. And then in fiscal 2021 we revised our target again to achieve carbon neutrality in our value chain by fiscal 2050. Our aim is to help create a decarbonized society by setting more ambitious targets to realize that goal.

(Notes)1. A Representative Concentration Pathway (RCP) scenario under which, at the end of the 21st century, the increase in global temperatures from preindustrial levels is kept below 2°C.

2 An RCP scenario that assumes that emissions will continue to rise resulting in an approximately 4°C rise in global temperatures compared to preindustrial levels.

Climate-related Risks (Hitachi Group)

The risks faced by the entire Hitachi Group in 1, the 1.5°C scenario, and 2, the 4°C scenario, are presented below. The Group can take measures to reduce these risks associated with climate change.

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

Category	Major risks	Time span	Impact	Main initiatives
Policy and legal	Increased business costs from the introduction of carbon taxes, fuel/energy consumption taxes, emissions trading systems, and other measures	Short to long term	Medium	▌Conversion from businesses that use fossil fuels to those that do not Achievement of the carbon neutrality of business establishments by fiscal 2030 and of entire value chains by fiscal 2050 ▌Increased streamlining of production, transportation, etc. and the prevention of an increase in business costs by promoting the use of non-fossil fuel energy Promotion of energy-saving equipment by introducing Hitachi Internal Carbon Pricing (HICP)
Technology	Loss of selling opportunities due to delays in the technological development of products and services for the achievement of a carbon-neutral society	Short to long term	Medium	▌Contribute to reducing CO_2 emissions by developing and marketing innovative products and services that lead to the achievement of long-term environmental targets and expanding the decarbonization business ▌Implementation of Environmentally Conscious Design Assessments when designing products and services to promote the development of energy-saving, low carbon products
Market and reputation	Impact on sales due to changes in market values or assessment of our approach to climate issues	Medium to long term	Low	▌Establishment of carbon neutrality targets in Hitachi Environmental Innovation 2050's long-term environmental targets. Participation in COP26 for the global announcement of Hitachi's development of advanced technologies and efforts to support the realization of a carbon-neutral society

(2) Risks related to the physical impacts of climate change (4°C scenario)

Category	Major risks	Time span	Impact	Main initiatives
Acute and chronic physical risks	Risks that threaten business continuity due to meteorological disasters likely caused by climate change such as typhoons, floods and droughts (acute risks) and chronic risks such as sea level rise and prolonged heat waves	Short to long term	Medium	▌Taking into account the possibility of flood damage when deciding on the location or equipment layout of a new plant. Measures tailored to the water risks of each manufacturing site will be strengthened in the future based on the results of a water risk assessment now being conducted

Identification and Assessment of Climate-related Opportunities (Hitachi Group)

Both the carbon neutrality of business sites and the reduction of CO2 emissions from the use of products and services sold, which are a large part of the emissions from entire value chains, are important for the achievement of the long-term environmental targets and the CO2 emission reduction target set in the 2024 Medium-term Management Plan. Hitachi is responding to fulfill customers' needs and contribute to the reduction of CO2 emissions that is demanded by society by developing and supplying products and services that emit little or no CO2 during use. This is the basis of the Social Innovation Business operated as part of Hitachi's management strategies, which creates significant opportunities for short-, medium- and long-term businesses.

Climate-related Opportunities (Hitachi Group)

Category	Major opportunities	Impact	Main initiatives
Products/services and markets	Increased corporate value and revenue from expanded sales of products and services with innovative technology that can contribute to the mitigation and adaptation of climate change	Medium	▌Expand business areas that contribute to decarbonization. ▌Promote decarbonized solutions and services through collaborative initiatives with customers. ▌Focusing on the fields of energy, mobility, and industry, we are promoting greater utilization of digital technology (Green by Digital) and developing products that offer world-class efficiency.
Resilience	Provision of solutions to address climate-related natural disasters	Medium	▌Providing disaster prevention solutions such as high-performance firefightingcommand systems

iii) Risk Management

The Hitachi Group evaluates and assesses climate-related risks for each business unit and Group company as part of a process of assessing risks and opportunities in accordance with the Environmental Action Plan that is updated every three years. The results are tabulated by the Sustainability Promotion Division of Hitachi, Ltd., and their importance is checked at Sustainability Promotion Meetings. The Management Committee, and if necessary, the Board of Directors, deliberates the risks and opportunities perceived as being particularly important for the Group as a whole to make decisions.

iv) Metrics and Targets

Hitachi has established its medium- and long-term indicators and targets in the "Hitachi Environmental Innovation 2050" and detailed short-term indicators and targets in the "Environmental Action Plan."

The indicators related to the mitigation of and adaption to climate change used include total CO2 emissions and CO2 emission intensity reduction rate. The Group determines and focuses on indicators to provide its customers with products and services that emit the least possible CO2. Additionally, the Group will work to reduce CO2 emissions at its own business sites using the Hitachi Internal Carbon Pricing (HICP) system that incentivizes capital expenditures that contributes to the reduction of CO2 emissions.

(4) Targets under the mid-term management plan

Under the "2024 Mid-term Management Plan," the Hitachi Group utilizes the following targets to measure performance in terms of meeting its strategic and operational goals:

	Fiscal 2024 Target	Reason for selection as indicators
Annual growth rate for revenue (FY 2021-FY 2024 CAGR) (Notes 1, 2)	5-7%	Indicator to measure growth
Adjusted EBITA margin (Note 3)	12%	Indicator to measure profitability
EPS growth rate (FY 2021-FY 2024 CAGR) (Notes 1, 4)	10-14%	Indicator to measure profitability and shareholder's value
Core free cash flows: cumulative for 3 years (Note 5)	1.4 trillion yen	Indicator to measure ability to generate cash
Return on invested capital (ROIC) (Note 6)	10%	Indicator to measure investment efficiency

(Notes) 1. CAGR is presented as compound average growth rate.
2. It is calculated excluding listed subsidiaries.
3. Adjusted EBITA = adjusted operating income - acquisition-related amortization + equity in earnings affiliates. Adjusted EBITA margin is the ratio calculated by adjusted EBITA by revenues.
4. EPS is presented as earnings per share.
5. Core free cash flows are cash flows presented as free cash flows excluding cash flows from M&A and asset sales, etc.
6. ROIC (Return on Invested Capital) = ("NOPAT" + Share of profits (losses) of investments accounted for using the equity method) / "Invested Capital" x 100
NOPAT (Net Operating Profit after Tax) = Adjusted Operating Income x (1 – Tax burden rate)
Invested Capital = Interest-bearing debt + Total equity

In addition to providing the performance targets above, under its Mid-Term Management Plan the Group will address the following priority items in order to provide value to customers and society through the enhancement of human capital.

2. Risk Factors

(1) About Risk Management

We aim to create new revenue opportunities while controlling risk. To do this, we maintain a clear understanding and analysis of the business environment changing day by day, taking into account social issues as well as our competitive advantages and management resources and conducting risk management with an eye toward the many risks the Company should be prepared for as well as opportunities for growth.

With respect to such various risks, each department strives to appropriately grasp and respond to risks and opportunities, and reflects them in reporting to management executives and management strategies.

In April 2022, Hitachi established Risk Management Meeting (Chairman: President, Vice- chairman: CRMO) as one of the new Executive Committees, which deliberates on important matters in the Group's business management. The Group has strengthened its system of proactively responding to risks by gathering information about global risks at the Risk Management Meeting.

(2) Risk Factors

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

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

1) Risks Related to Economy

Economic Trends

Our business is influenced by the global economy, economic and geopolitical conditions in certain regions or countries. We are affected by downward economic trends in regions, countries and Japan. The rising interstate conflicts and tensions represented by the situation in Ukraine, could cause decline in consumer spending or capital investment and subsequently reduced demand for our products, systems and services, which could adversely affect our business, financial condition, and results of operations.

In response to this risk, we combine the many different aspects of the Social Innovation Business in a range of business fields and regions, and we aim to take prompt countermeasures against geopolitical changes through risk evaluation, etc.

Currency Exchange Rates Fluctuations

Since we conduct business in many foreign countries, our business activities are exposed to risks from fluctuations in foreign currency exchange rates. We sell products, provide services and purchase raw materials and components in local currencies. Therefore, fluctuations in foreign currency exchange rates may result in lower revenues or higher costs in yen to us and thus affect our results of operations, which are reported in Japanese yen. Our price competitiveness may decline if we seek to increase prices in local currencies to compensate for lower revenues or to increase prices in yen to absorb the higher cost, and thus our results of precautions may be harmed. In addition, since we hold assets and liabilities denominated in foreign currencies, fluctuations in foreign currency exchange rates may adversely affect our financial condition presented in Japanese yen through foreign currency translation.

The table below shows the foreign exchange sensitivity for the fiscal year ending March 31, 2023 (impact of exchange rate fluctuation by one-yen fluctuation from the forecasted rate) estimated as of March 31, 2022.

Currency	Forecast	Foreign exchange sensitivity (Billions of yen)	
		Revenues	Adjusted EBITA
U.S. dollar	120 yen／U.S. dollar	19.5	1.5
Euro	130 yen／Euro	7.0	0.5

To mitigate the risk, we hedge the foreign exchange risks using forward exchange contracts and currency swap agreements and promote our strategy of selling locally produced goods and services.

Access to Liquidity and Long-term Financing

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

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

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

Marketable Securities Risks

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

The table below shows the number of stock names and balance sheet amount of the stocks the Company owned at the end of the fiscal year ended March 31, 2022.

	Number of stock names (stock names)	Total amount recorded in the balance sheet (millions of yen)
Unlisted stocks	152	23,341
Others	46	251,129

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

2) Risks related to Supply Chain

Material and Component Procurement

Our manufacturing operations rely on external suppliers for supplies of materials, parts, components and services of adequate quality and quantity, delivered in a timely manner at a reasonable price. External suppliers may not have sufficient capacity to meet all of our needs during periods of excess demand. Shortages of materials, parts, components and services may cause a sharp rise in their prices. In addition, prices of certain raw materials, parts and components which we purchase in local currencies, principally the U.S. dollar and the euro, could be adversely affected by fluctuations in foreign currency exchange rates. Increases in the market price of petroleum and other materials, such as copper, steel, synthetic resins, rare metals and rare-earth minerals, can increase our production costs and may adversely affect our results of operations. Conversely, decreases in commodity prices, such as for raw materials, parts and components, can result in write-downs of inventory. If natural disasters disrupt the operations of our suppliers and damage supply chains, it may adversely affect our production. If there are violations of laws or regulations at suppliers, including infringements of rights of workers such as child labor and forced labor, our reputation as an entity that places orders may decline and the stable procurement of raw materials or parts from the suppliers may be hindered, which may adversely affect our business, financial condition and results of operations.

To deal with those risks, we establish close relationships with suppliers, appropriately react to changes in demand in different regions, promoting a strategy of selling locally produced goods and services, formulates a business continuity plan (BCP) at domestic bases and major bases overseas to strengthen the abilities to deal with business interruption risk and use and strengthen the procurement function of our entire group. To prevent violations of laws and regulations at suppliers, we carry out inspections and audits using questionnaires and initiatives to understanding.

Credit Risks Arising from Business Transactions

We make transactions with diverse customers and suppliers in Japan and other countries. We sell our products to certain customers on credit and pay in advance for products or services provided by certain suppliers. Credit deterioration or failure of one or more of them could adversely affect our financial condition, results of operations and cash flows.

To deal with those risks, we take measures to manage counterparty credit risk, such as regularly monitoring credit conditions of such customers or suppliers and setting a limit on transaction amount according to their credit conditions.

3) Risks related to Geopolitics

Our Overseas Growth Strategies

We seek to expand our business, including our Social Innovation Business, in overseas markets as part of our business strategy. Through such overseas expansion, we aim to increase our revenues, reduce our costs and improve profitability. In many of these markets, we face barriers in the form of long-standing relationships between our potential customers and their local suppliers. In addition, various factors in foreign countries where we operate may adversely affect our overseas business activities. These factors include:

・ changes in regulations relating to investments, exports, tariffs, antitrust, anti-bribery, consumer and business taxation, intellectual property, foreign trade and exchange controls, human rights, employment and labor, environmental and recycling requirements;
・ differences in commercial and business customs such as contract terms and conditions;
・ changes in labor relations and practices;
・ public sentiment against Japan and local residents’ sentiment against us, various groups’ criticism of us;
・ prolonged conflict in Ukraine;
・ expansion and frequent occurrence of interstate conflicts; and
・ other political and social factors as well as economic trends and currency exchange rate fluctuations.

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

To deal with those risks, we constantly determine global political and economic conditions and analyze their effects on our businesses. Based on the analysis, we take group-wide steps.

4) Risks related to Environment

Tightening of regulations to prevent climate change (risks associated with the transition to a carbon-neutral society)

An increase in business costs due to carbon taxes, taxes on fuel and energy consumption and/or the introduction of carbon emission rights trading, etc., loss of selling opportunities due to delays in the development of technology for products and services, delay in the transition from businesses using fossil fuels to those that do not, and investors and society's disapproval of the Group’s stance on addressing the issue of climate change may adversely affect the Group's business activities, management performance and financial condition.

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

5) Risk related to Technology

Dependence on Information Systems

With the increased importance of information systems to our operating activities, disruptions in such systems due to computer viruses and other factors could have a negative impact on our operating activities, results of operations and financial condition. The expansion of remote work is at risk of generating new security risks, including information leakage.

To deal with those risks, we continuously promote cybersecurity measures and strictly prescribe and implement rules, products and procedures that apply to remote work. However, they may not be effective if unprecedented cyberattacks occur, such as cyberattacks, or there are any vulnerabilities in systems that are not managed by us.

Dependence on Specially Skilled Personnel

We believe recruiting and retaining additional people who are highly skilled in connection with our operations is indispensable to remaining competitive. We look particularly for human resources who can work globally, those who can identify customer needs, working near them, and provide optimal solutions and services and those who can take the lead in digital transformation. However, the number of skilled personnel is limited and the competition for attracting and maintaining such personnel is intense. We cannot ensure that we will be able to successfully attract new or maintain our current skilled personnel.

To deal with the risk, we expand overseas direct recruitment of digitally savvy human resources to hire human resources needed in Japan and overseas in a timely manner. We create employee-friendly workplaces where diverse human resources work and employs excellent global human resources in a globally common personnel system. Using a group-wide, globally common learning management system and an in-house education program, we aim to maintain and cultivate excellent human resources.

Rapid Technological Innovation

New technologies are rapidly emerging in the segments in which we conduct business, with the pace of technological innovation. The development of new and advanced technologies, the continuous, timely and cost-effective incorporation of such technologies into products, systems and services and the effective marketing of such products, etc. are indispensable to remaining competitive. It is important to respond to technological innovations, including 5G, automation and electrification using technologies such as AI, IoT and robots, remote and non-contact technologies and environmentally friendly technologies. While introducing such products, etc. requires significant resource commitment to research and development, there can be no assurance that our research and development will be successful. Failure in our endeavors to develop and incorporate such advanced technologies into products and services in a timely manner, or to achieve market acceptance for such products, etc., may negatively affect our business, financial condition and results of operations.

To mitigate those risks, we promote open innovation involving industry, government and academia, recruit and cultivate digitally savvy human resources and strengthens Lumada. Through those activities, we work to create an innovation ecosystem.

6) Risks related to Pandemic and Natural disasters

COVID-19

The spread of COVID-19 has caused restrictions on movement, including lockdowns on cities and stay-at-home orders and requests, closures of business establishments, restrictions on production activities, decreases in consumer spending and capital expenditure, supply chain disruptions, sporadic violent fluctuations on capital markets worldwide and deterioration in the financing environment. As a consequence, it has caused economic deterioration of the world and had adverse effects on the Group's businesses, financial position and operating results. The COVID-19 may have additional adverse effects depending on its future course.

In response to those risks, we are continuing manufacturing activities as far as safety is ensured, bringing in diverse ways of working, including remote work, while enhancing the digital environment, strengthening cash management, and cutting cost by changing the business structure.

Significant Disasters, climate change and Similar Events

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

To deal with those risks, we work to strengthen its ability to deal with business interruption risk by formulating BCPs. When we build a new plant, we determine the layout, taking into consideration possible floods.

7) Risks related to others

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

We enter into a substantial number of long-term projects, particularly in connection with the construction of infrastructure systems. When the outcome of a construction can be estimated reliably, we recognize revenue and expenses by reference to the stage of completion of the contract activity. In this case, revenue is recognized mainly based on the progress of the project mostly based on the cost incurred relative to the estimated total cost. When the outcome of a construction cannot be estimated reliably, we recognize revenue only to the extent of contract costs incurred that it is probable will be recoverable, and recognize contract costs as expenses in the period in which such costs are incurred. The revenue recognition for such long-term projects requires us to make significant assumptions about the estimated total cost, estimated total selling price, contract risks and other factors. However, these estimates are subject to change. We regularly review these estimates and adjust them as we deem necessary. We charge any anticipated losses on fixed price contracts to operations when we are able to estimate such losses. While we employ our best judgment based on available information, these estimates are subject to change. Fluctuations in costs can occur for a variety of reasons, many of which are beyond our control. In addition, we or our counterparties may cancel these contracts. These factors would require us to revise our initial assumptions regarding a particular contract, and may adversely affect our business, financial condition and results of operations.

To deal with those risks, we aim to identify and manage risks before the execution of contracts, and our operating division and finance division continue to manage and share identified risks after the execution of contracts for accurate estimates in a timely manner.

Intense Competition

We are subject to intense competition in many of the markets in which we operate, and this may adversely affect our results of operations. We compete with diverse competitors ranging from huge global corporations to specialized companies including startups. Advanced products, systems and services are becoming commoditized. The production and development of them and the provision of services in low-cost regions, and use of the cloud and automation are expanding. As a result, price competition is intensifying. To succeed in this competitive environment, we believe that our products, etc. must be price competitive. The commoditization of such products, etc. affects our ability to set prices for our products, etc. If we are unable to charge comparable prices to those of our competitors, our competitiveness and overall profitability may be harmed. On the other hand, charging comparable prices to those of our competitors may require us to sell products and services at a loss. Our products, etc. must also be competitive in terms of engineering sophistication, quality and brand value. We must introduce our products and services to the markets in a timely manner. There can be no assurance that the products, etc. that we offer will be competitive. The failure of such products, etc. to be competitive may negatively affect our business, financial condition and results of operations.

To deal with those risks, we promote enhancing innovation through research and development, expansion of Lumada business, collaborative creation with customers and strives to produce high value-added products.

Supply and Demand Balance

Oversupply in the markets in which we compete may lead to declines in sales prices, revenues and profitability. In addition, adjustment to demand may force us to dispose of excess supply or obsolete equipment or reduce production, which can result in losses. For example, the imbalance between supply and demand in information equipment, elevators, semiconductor and automotive equipment industries and a resultant deterioration in market conditions could negatively affect our businesses, financial condition and results of operations.

To deal with those risks, we work to strengthen the competitiveness of our products, etc. and control the supply and inventory of products, etc. based on demand forecasts.

Overhaul of Cost Structure

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

Our Strategy to Strengthen Our Social Innovation Business

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

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

Acquisitions, Joint Ventures and Strategic Alliances

In every operating sector, we depend to some degree on acquisitions of other companies, joint ventures and strategic alliances with outside partners to design and develop key new technologies and products, to strengthen competitiveness by scaling up and to expand into new regions through acquiring local bases or distribution channels. The matters which may have adverse effects on our financial condition or profitability are described in "Consolidated Financial Statements - Notes to Consolidated Financial Statements - (5)

Business Acquisitions and Divestitures.” Such transactions are inherently risky because of the difficulties in integrating operations, technologies, products and personnel and achieving return of the investment. Integration issues are complex, time-consuming and expensive and, without proper planning and implementation, could adversely affect our business. Decisions made by or the performance of alliance partners that we cannot control or adverse business trends may also negatively affect the success of our alliances. We may incur significant acquisition, administrative and other costs in connection with these transactions, including costs related to integration or restructuring of acquired businesses. If it is expected that the amount invested is irrecoverable due to a decline in the profitability of an investee, we may incur significant losses, including impairment loss for goodwill. There can be no assurance that these transactions will be beneficial to our business or financial condition. We recorded goodwill of 1,137,719 million yen in the IT segment, 513,616 million yen in the Energy segment and 168,475 million yen in the Industry segment as of March 31, 2022. The amount of goodwill in each segment is described in “Consolidated Financial Statements - Notes to Consolidated Financial Statements - (4) Segment Information.” Even assuming these transactions are beneficial, there can be no assurance that we will be able to successfully integrate acquired businesses or achieve all or any of the initial objectives of these transactions.

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

Restructuring of Our Business

Our business strategy seeks to build our business portfolio and achieve a structure with high growth potential and profitability in part by:

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

Our restructuring efforts may not be implemented in a timely manner or at all, including due to governmental regulations, employment issues or a lack of demand in the M&A market for businesses we may seek to sell. In addition, we have listed subsidiaries and from time to time the interests of these listed subsidiaries’ shareholders may conflict with our interests. Such conflicts of interest may result in difficulties in timely implementing group-wide policies, including mergers, company splits and other similar transactions to which the listed subsidiaries are parties. Restructuring efforts may also bring about unintended consequences, such as negative customer or employee perceptions, and have caused and may continue to cause us to incur significant expenses and other costs, including additional impairment losses on our fixed assets and intangible assets, write-offs of inventory and losses on the disposal of fixed assets and losses related to the sale of securities. Current and future restructuring efforts may be unsuccessful or less successful than we presently anticipate and may adversely affect our business, financial condition and results of operations.

To deal with those risks, we analyze and discuss market and industry trends, strategies, sale prices, processes and potential risks, among other issues, from a range of perspectives, in the Investment Strategy Committee, Senior Executive Committee, the Board of Directors and Audit Committee.

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

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

The table below shows investments accounted for using the equity method as of March 31, 2021.

Millions of yen

Segment	March 31, 2022
IT	50,397
Energy	49,854
Industry	23,789
Mobility	31,055
Smart Life	124,750
Automotive Systems	10,271
Hitachi Construction Machinery	26,661
Hitachi Metals	11,611
Others	3,778
Subtotal	332,166
Corporate items and Eliminations	79,035
Total	411,201

To deal with those risks, we promote investment income management using return on invested capital (ROIC) and concentrate investment in fields where profitability and growth are high. We monitor achievement of business plans and financial position at equity method affiliates in which we invest and sell businesses with low profitability and investee companies whose competitiveness we are concerned about.

Litigation and Regulatory Investigations

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

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

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

To deal with those risks, we work to identify operations where regulations are applied, assess risks, take steps in response to risks and provide education to employees.

Product Quality and Liability

We increasingly provide products and services utilizing sophisticated technologies. Reliance on external suppliers reduces our control over quality assurance. The occurrence of defects in our products and services could negatively affect our reputation for quality of products and services, expose us to liability for damages caused by such defects and negatively affect our ability to sell certain products. A significant product defect could adversely affect our results of operations, financial condition and future business prospects.

To deal with those risks, in addition to strengthening our quality assurance system, we conduct activities to prevent accidents and comply with technical laws and regulations. We provide education on thorough risk assessment, quality, reliability and reactions when product accidents occur.

Management of Confidential Information

We maintain and manage personal information obtained from our customers, as well as confidential information relating to our technology, research and development, or R&D, production, marketing and business operations and those of our customers and clients, in various forms. Unauthorized disclosures of such information could subject us to complaints or lawsuits for damages or could otherwise have a negative impact on our business, financial condition, results of operations, reputation and credibility.

To deal with those risks, we establish and implement rules on the management of confidential information and implement identity management and access control through encryption and the building of authentication infrastructure. We also examine information security at suppliers.

Intellectual Property

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

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

We design many of our products to include software or other intellectual property licenses from third parties. Competitors may not make their protected technology available to us, or may make it available to us only on unfavorable terms and conditions. There can be no assurance that we will be able to maintain a license for such intellectual property if obtained, for economic or other reasons, or that such intellectual property will give us the commercial advantages that we desire.

To deal with those risks, we endeavor to maintain good relations with the third parties through contracts and negotiations to exercise intellectual property rights.

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

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

Employee Retirement Benefits

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

To mitigate the risk, on April 1, 2019, we changed the corporate pension plan for employees of the Company from a defined contribution plan to a risk-sharing corporate pension plan to fix the Company's premium payments and reduce investment risks.

8) Risks Related to Our American Depositary Shares

Rights of ADS holders

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

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

Unit Share System

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

Dilution of Your Shares by Issuances of Additional Shares

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

Foreign Exchange Fluctuations

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

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

(1) Progress of Management Plan

1) Status of Key Indicators laid out as Strategic and Operational Targets

Under the "2021 Mid-term Management Plan," the key indicators to measure performances in terms of meeting our strategic and operational goals are as follows.

	Year ended March 31, 2022 (Fiscal 2021)	Fiscal 2021 Target
Annual growth rate for revenues	18%	(CAGR from Fiscal 2018 to Fiscal 2021) Over 3%
Adjusted operating income margin	7.2%	Over 10%
Operating cash flow	(Cumulative for three years from Fiscal 2019 to Fiscal 2021) 2,084.0 billion yen	(Cumulative for three years from Fiscal 2019 to Fiscal 2021) Over 2,500.0 billion yen
Return on invested capital (ROIC)	7.7%	Over 10%
Overseas revenue ratio	59%	Over 60%

The fiscal year under review was the final year of the 2021 Mid-term Management Plan, however, the Group was unable to reach its targets for adjusted operating margin, cash flow from operating activities, ROIC, etc. due to the harsh business environment caused by the COVID-19 pandemic. Nevertheless, efforts to reform cost structure, increase profitability, reform the Group's business portfolio, and other efforts resulted in a 1.5% year-on-year increase of the adjusted operating margin, which reached 7.2%. This demonstrates that the foundation of the next medium-term management plan, the 2024 Medium-term Management Plan, was established in the final year of the 2021 Medium-term Management Plan, which set the target of becoming a global leader in the Social Innovation Business.

2) Global Business Expansion

– Business portfolio reform for the acceleration of the digital transformation (DX) of social infrastructure

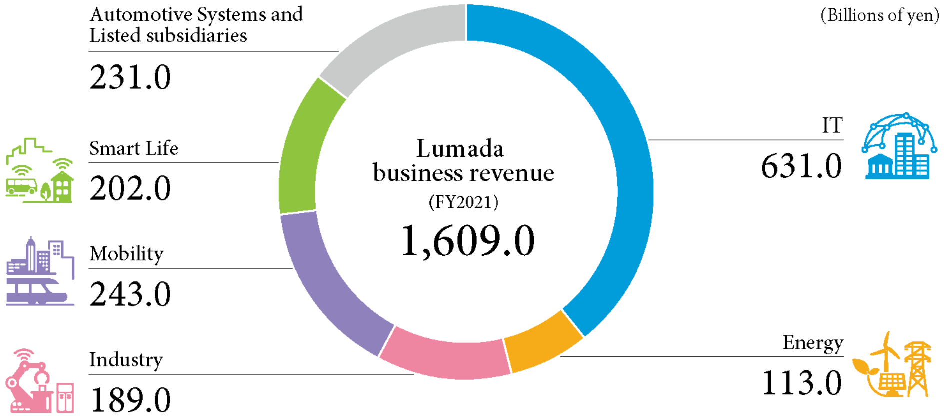
GlobalLogic Inc., which was acquired in July last year, has started various collaborative creation initiatives using facilities such as the newly opened "Lumada Innovation Hub Tokyo." Taking advantage of its high-level digital engineering capabilities and rich customer base, GlobalLogic is accelerating the global expansion of the Lumada business. In addition, in the power grid business, Hitachi, centered Hitachi Energy (former Hitachi ABB Power Grids Ltd), has been expanding aggressively its business to realize sustainable energy. Further, in the railway systems business, Hitachi decided to acquire the Grand Transportation Systems business of Thales S.A. to strengthen its railway systems and solutions using digital technologies.

On the other hand, with the decision to partially transfer the shares of Hitachi Construction Machinery, all publicly listed parent-subsidiary relationships in the Hitachi Group will be dissolved.

Through the 2021 Mid-term Management Plan, Hitachi's business portfolio reform has been promoted, and Hitachi has strengthened the foundation for the continued growth of the Social Innovation Business.

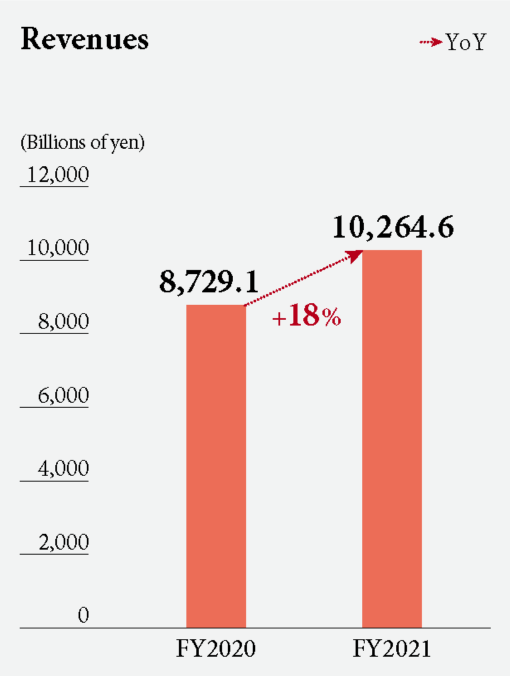
– Progress in the Lumada business

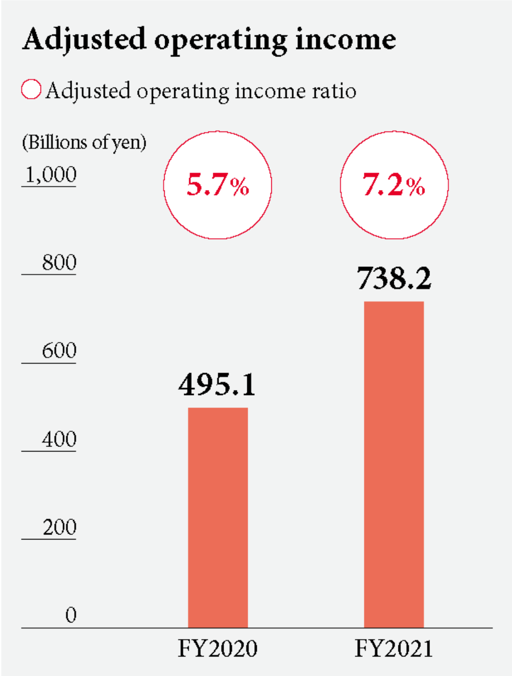
In Fiscal 2021, the revenues from Lumada business were 1,609.0 billion yen due mainly to the acquisition of the power grid business from ABB Ltd. and the acquisition of GlobalLogic Inc., as well as an increased revenue in all segments as compared with fiscal 2020.



(2) Analysis of Results of Operations

1) Analysis of Statement of Operations





Revenues increased 18% from fiscal 2020, came to 10,264.6 billion yen. Revenue increased thanks largely to the mergers of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation, and Nissin Kogyo Co., Ltd. affiliated with Hitachi Astemo, Ltd., the acquisition of the power grid business of ABB Ltd., the acquisition of GlobalLogic Inc., and the recovery of the market from the COVID-19 pandemic and the impact of foreign exchange rates.

Cost of sales increased 18% to 7,705.9 billion yen, as compared with fiscal 2020, and the ratio of cost of sales to revenues was 75%, the same level as for fiscal 2020. Gross profit increased 17% to 2,558.6 billion yen, as compared with fiscal 2020.

Selling, general and administrative expenses came to 1,820.3 billion yen, up 7% year on year. The ratio of selling, general and administrative expenses to revenues was 18%, down 1% year on year.

Adjusted operating income increased 243.0 billion yen year on year and reached 738.2 billion yen.

Other income decreased 347.7 billion yen to 128.3 billion yen and other expenses decreased 88.4 billion yen to 83.9 billion yen, as compared with fiscal 2020, respectively. The main components are as follows;

- Net gain on sales and disposal of property, plant and equipment increased 1.9 billion yen to 18.0 billion yen, as compared with fiscal 2020.
- Impairment losses decreased 73.9 billion yen to 35.0 billion yen, as compared with fiscal 2020. This mainly reflected a posting of impairment losses on non-current assets in the Automotive Systems business and a decline in impairment loss that had been caused by the declining profitability of the Magnetic Materials business in Hitachi Metals in the fiscal 2020.
- Net gain on business reorganization and others decreased 350.2 billion yen year on year to 102.1 billion yen due mainly to the sale of shares of Hitachi Chemical Co., Ltd., the Diagnostic Imaging-related business in the Smart Life sector, and a part of the shares of Agility Trains East (Holding) Limited posted in the previous fiscal year, which in total exceeded the gain on sale of part of the shares of Arçelik Hitachi Home Appliances B.V. posted in the fiscal year under review.
- Special termination benefits decreased 10.9 billion yen to 8.7 billion yen, as compared with fiscal 2020.

Financial income (excluding interest income) increased 13.9 billion yen to 27.9 billion yen and financial expenses (excluding interest charges) decreased 1.3 billion yen to 97.0 million yen, as compared with fiscal 2020, respectively.

Share of gains (losses) of investments accounted for using the equity method rose 1.6 billion yen year on year to the gains of 40.4 billion yen.

As a result of the foregoing, EBIT* increased 0.6 billion yen to 850.9 billion yen, as compared with fiscal 2020.

*EBIT (Earnings before interest and taxes) are the earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges. EBIT margin is calculated by dividing EBIT by revenue.

Interest income decreased 1.4 billion yen to 15.4 billion yen, as compared with fiscal 2020 and interest charges increased 4.3 billion yen to 27.1 billion yen, as compared with fiscal 2020.

Income from continuing operations, before income taxes, decreased 5.1 billion yen to 839.3 billion yen, as compared with fiscal 2020.

Income taxes decreased 156.7 billion yen to 168.4 billion yen year on year due in part to tax expenses required for business reorganization.

Income from discontinued operations decreased 0.6 billion yen to 0 million yen, as compared with fiscal 2020.

Net income increased 152.3 billion yen to 670.8 billion yen, as compared with fiscal 2020.

Net income attributable to non-controlling interests increased 70.4 billion yen to 87.3 billion yen, as compared with fiscal 2020.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased 81.8 billion yen to 583.4 billion yen, as compared with fiscal 2020.

2) Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions. The numbers within each chart represent the results of the main businesses, etc. in each segment, and the sum of these numbers in some segments does not correspond to the total results in the segments.

(IT)

FY21

(Billions of yen)		Revenues	Adjusted operating income / Adjusted operating income ratio	EBIT / EBIT ratio
IT*		2,153.6	268.1 / 12.4%	240.6 / 11.2%
	YoY	105%	(1.3) / (0.8) points	(4.2) / (0.8) points
Front Business		1,423.0	185.0 / 13.0%	176.3 / 12.4%
	YoY	101%	+8.4 / +0.5 points	+8.6 / +0.5 points
Services & Platforms		874.7	79.2 / 9.1%	52.9 / 6.1%
	YoY	111%	+5.7 / (0.2) points	(6.4) / (1.4) points

* Acquisition-related amortization for GlobalLogic is included in IT segment total

Revenues increased year on year thanks primarily to strong results of the Lumada business and GlobalLogic Inc.

Adjusted operating income decreased from fiscal 2020. Profit decreased chiefly due to semiconductor shortages, depreciation of intangible assets and other assets associated with the acquisition of GlobalLogic Inc., and temporary expenses for mergers and other related expenses.

EBIT decreased from fiscal 2020. The decrease in earnings was attributable primarily to expenses for advisory services associated with the acquisition of GlobalLogic Inc. in addition the decrease in adjusted operating income.

(Energy)

FY21 (Billions of yen)		Revenues	Adjusted operating income / Adjusted operating income ratio	EBIT / EBIT ratio
Energy		1,447.9	18.1 / 1.3%	26.6 / 1.8%
	YoY	131%	+65.8 / +5.6 points	+82.1 / +6.8 points
Nuclear Energy & Energy		–	27.6 / 8.2%	30.8 / 9.2%
	YoY	–	+33.8 / +10.0 points	+38.5 / +11.4 points
Nuclear Energy		150.7	–	–
	YoY	89%	–	–
Energy		183.7	–	–
	YoY	98%	–	–
Hitachi Energy		1,075.8	62.4 / 5.8%	64.6 / 6.0%
	YoY	149%	+30.1 / +1.3 points	+28.1 / +0.9 points
Related costs*		–	(70.1) / –	(74.8) / –
	YoY	–	(0.2) / –	+5.4 / –

* Related cost includes acquisition-related amortization for the acquisition of the power grids business and PMI related costs

Revenues increased from fiscal 2020. The acquisition of the power grids business of ABB Ltd. contributed to revenue growth despite a fall in revenue from the nuclear power business as a result of a decrease in operation.

Adjusted operating income increased from fiscal 2020. Profit increased as a result of the completion of improvement in measures in some projects in the energy business, cost reduction and fixed cost control in the nuclear power and energy businesses, and the acquisition of the power grid segment of ABB Ltd., which more than offset a fall in sales revenue from the nuclear power business.

EBIT increased compared with fiscal 2020, due mainly to the increased adjusted operating income.

(Industry)

FY21 (Billions of yen)		Revenues	Adjusted operating income / Adjusted operating income ratio	EBIT / EBIT ratio
Industry		900.7	82.2 / 9.1%	79.4 / 8.8%
	YoY	109%	+36.7 / +3.6 points	+37.1 / +3.7 points
Industry & Distribution		343.1	38.5 / 11.2%	34.5 / 10.1%
	YoY	112%	+22.7 / +6.0 points	+22.7 / +6.2 points
Water & Environment		182.3	16.4 / 9.0%	17.6 / 9.6%
	YoY	105%	+5.8 / +2.9 points	+8.6 / +4.4 points
Industrial Products		409.4	33.5 / 8.2%	33.4 / 8.2%
	YoY	109%	+9.0 / +1.7 points	+5.9 / +0.9 points

Revenues increased from fiscal 2020. Following the recovery of market conditions, revenue from the Industrial Products Business Unit increased, as did revenue from the Industry and Distribution Sectors, due to the growth of sales in the digital solution business. Revenues from the water and environment business rose largely due to an increase in sales in the air-conditioning system business.

Adjusted operating income increased year on year due mainly to improved profitability and reduced costs in the digital solution business in the Industry and Distribution Sectors in addition to a rise in sale revenue.

EBIT grew year on year thanks to an increase in adjusted operating income and other factors.

(Mobility)

FY21 (Billions of yen)		Revenues	Adjusted operating income / Adjusted operating income ratio	EBIT / EBIT ratio
Mobility		1,425.7	87.4 / 6.1%	113.6 / 8.0%
	YoY	119%	+12.6 / (0.1) points	(15.3) / (2.8) points
Building Systems		822.7	67.4 / 8.2%	68.3 / 8.3%
	YoY	121%	+2.4 / (1.4) point	(5.3) / (2.5) points
Railway Systems		628.3	25.6 / 4.1%	50.8 / 8.1%
	YoY	115%	+9.0 / +1.1 point	(11.4) / (3.3) points

Revenues increased from fiscal 2020. Revenues in the Railway Systems business rose due to foreign exchange fluctuations and an increase in operation particularly in Asia and Europe in response to the lifting of restrictions associated with COVID-19. Revenue growth in the Building Systems business was attributable to foreign exchange fluctuations in addition to the expansion of business in China and the consolidation of Yungtay Engineering Co., Ltd. in October 2020.

Adjusted operating income increased from fiscal 2020. The income growth was primarily a result of an increase in sales revenues, which more than offset the impact of a steep rise in materials prices in the Building Systems business.

EBIT decreased from fiscal 2020. Despite an increase in the adjusted operating income, earnings declined due to the impact of gains on sales of shares of Agility Trains East (Holdings) Limited in the Railway Systems business and the gain on business reorganization and others posted in the previous fiscal year.

(Smart Life)

FY21 (Billions of yen)		Revenues	Adjusted operating income / Adjusted operating income ratio	EBIT / EBIT ratio
Smart Life*		1,029.4	79.2 / 7.7%	137.7 / 13.4%
	YoY	82%	(0.1) / +1.4 point	(64.4) / (2.7) points
Smart Life & Ecofriendly Systems		396.6	25.0 / 6.3%	85.3 / 21.5%
	YoY	87%	(8.5) / (1.0) points	+45.4 / +12.8 points
Measurement and Analytical Systems		576.8	58.7 / 10.2%	57.8 / 10.0%
	YoY	95%	+4.0 / +1.2 point	+2.7 / +0.9 points

* The results of Smart Life segment include the revenues, adjusted operating income and EBIT of healthcare business and other businesses

Revenues decreased from fiscal 2020. The decrease was attributable to the sale of businesses related to Diagnostic Imaging and the sale of overseas household appliance business in the Smart Life & Ecofriendly Systems segment (Hitachi Global Life Solutions). Revenues from Measurement & Analysis Systems (Hitachi High-Tech) decreased partly due to the partial withdrawal from the Industrial Solution business despite revenue growth in the Analytical Solutions business in response to the recovery of the market.

Adjusted operating income decreased from fiscal 2020. Income from the Measurement & Analysis Systems decreased due to a fall in sales revenue in Smart Life & Ecofriendly Systems despite an increase in revenue from Analytical Solutions.

EBIT declined year on year principally as a result of gains on sale of the Diagnostic Imaging business posted in the previous year, which more than offset the increase that resulted from a gain on business reorganization and others associated with the partial sale of shares of Arçelik Hitachi Home Appliances B.V. in Smart Life & Ecofriendly Systems business.

(Automotive Systems)

FY21 (Billions of yen)		Revenues	Adjusted operating income / Adjusted operating income ratio	EBIT / EBIT ratio
Automotive Systems		1,597.7	58.7 / 3.7%	60.8 / 3.8%
	YoY	162%	+24.0 / +0.2 point	+56.5 / +3.4 point

Revenues grew year on year thanks to business mergers related to Hitachi Astemo and revenue growth resulted from an increase in the operation rate, which had fallen in the previous fiscal year due to the COVID-19 pandemic, despite factors decreasing revenues such as the reduced production of automakers due to semiconductor shortages and a decrease in component supply caused by municipal lockdowns in India in response to the pandemic.

Adjusted operating income increased year on year due to growth in sales revenue despite the reduced production of automakers due to semiconductor shortages and a steep rise in material prices.

EBIT increased year on year thanks to growth in sales revenue despite the reduced production of automakers due to semiconductor shortages and a steep rise in material prices.

(Hitachi Construction Machinery)

FY21 (Billions of yen)		Revenues	Adjusted operating income / Adjusted operating income ratio	EBIT / EBIT ratio
Hitachi Construction Machinery		1,024.9	91.7 / 9.0%	112.2 / 10.9%
	YoY	126%	+60.1 / +5.1 point	+84.5 / +7.5 point

Revenues rose year on year as a result primarily of revenue growth thanks to the recovery of the market except in China, price adjustments in the Americas, and foreign exchange fluctuations.

Revenues rose year on year as a result primarily of revenue growth thanks to the recovery of the market except in China, price adjustments in the Americas, and foreign exchange fluctuations.

EBIT increased year on year as a result mainly of an increase in adjusted operating income and a gain on the sale of shares posted due to the termination of the partnership with Deere & Company.

(Hitachi Metals)

FY21 (Billions of yen)		Revenues	Adjusted operating income / Adjusted operating income ratio	EBIT / EBIT ratio
Hitachi Metals		942.7	26.8 / 2.8%	34.1 / 3.6%
	YoY	124%	+31.7 / +3.5 point	+83.3 / +10.1 point

Revenues grew year on year chiefly due to revenue growth in line with a recovery in the market for automobile products.

Adjusted operating income rose year on year as a result of an increase in sales revenue and other factors.

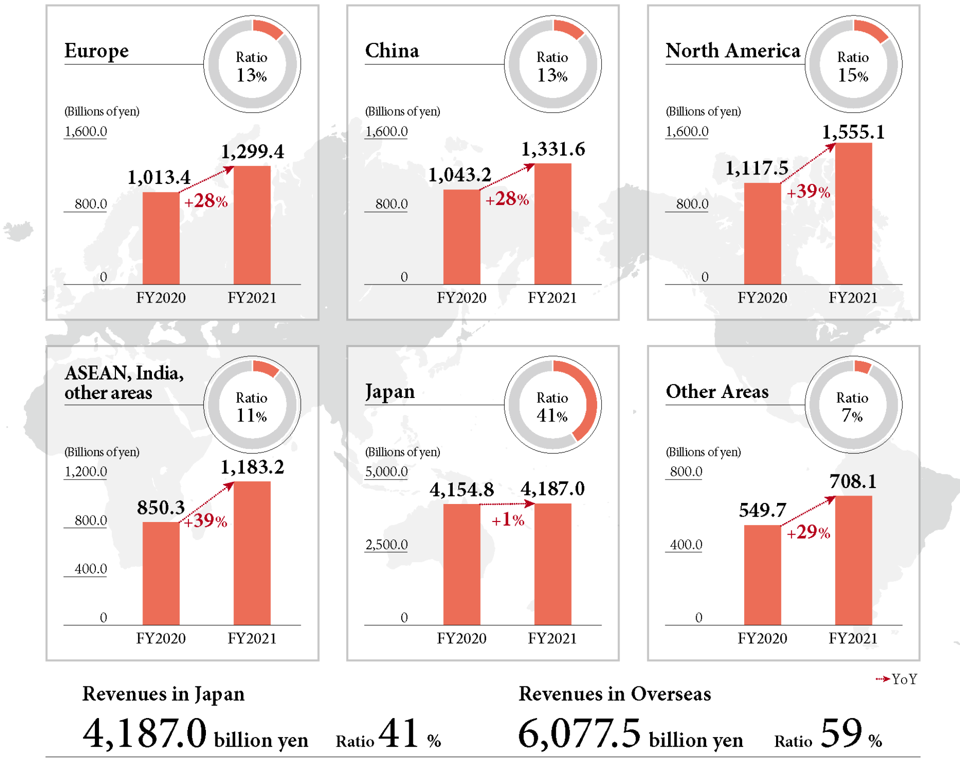
EBIT increased year on year due to an impairment loss in the magnetic material business posted in the previous fiscal year in addition to an increase in adjusted operating income.

(Others)

Revenues increased 2% to 456.3 billion yen, adjusted operating income decreased 1.1 billion yen to 21.2 billion yen and EBIT increased 7.2 billion yen to 32.5 billion yen, as compared with fiscal 2019, respectively.

3) Revenues by Geographic Area

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



Japan

Revenues in Japan increased from fiscal 2020. This was due mainly to the management integration related to Hitachi Astemo, Ltd., the recovery of market conditions, and the increased revenues in the Hitachi Metals, despite decreased revenues in the smart Life Sector as a result of the sale of diagnostic imaging-related business and withdrawal in a part of industrial solution business in Hitachi High-Tech Corporation.

Overseas

Revenues in Overseas increased compared with fiscal 2020, and the ratio to total revenues was 59%, a rise of 7% compared with fiscal 2020. Revenues in each area are as follows;

(North America)

Revenues in North America increased from fiscal 2020, attributable mainly to the higher revenues in the Automotive sector, Hitachi Construction Machinery and Hitachi Metals.

(Europe)

Revenues in Europe increased from fiscal 2020, due mainly to the increased revenues in the Energy sectors, the Mobility sector, and Hitachi Construction Machinery.

(Asia)

Revenues in Asia composed of China and ASEAN, India and other areas increased compared with fiscal 2020, due mainly to the increased revenues in the Automotive sector and the Mobility sector, despite decreased revenues in the Smart Life sector as a result of the sale of a part of the overseas home appliance business.

(Other Areas)

Revenues in other areas increased compared with fiscal 2020, due mainly to increased revenues in the Energy sector and Hitachi Construction Machinery.

(3) Analysis of Financial Condition and Cash Flows

1) Liquidity and Capital Resources

Policies for Financing Activities

We consider maintaining an appropriate level of liquidity and securing adequate funds for current and future business operations to be important financial objectives. Through efficient management of working capital, we are working to optimize the efficiency of capital utilization throughout our business operations. We endeavor to improve our group cash management by centralizing such management among us and our overseas financial subsidiaries.

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

In fiscal 2022, we have changed the key indicator of profitability from the conventional adjusted operating income to adjusted EBITA (adjusted operating income less amortization of intangible assets associated with acquisition added with equity-method profit or loss).

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

Trends in the Funding Demands

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

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

Capital Resources

Our internal sources of funds include cash flows generated by operating activities and cash on hand. Our management also considers short-term investments to be an immediately available source of funds. In addition, we raise funds both in the capital markets and from Japanese and international commercial banks in response to our capital requirements. Our management's policy is to finance capital expenditures primarily by internally generated funds and to a lesser extent by funds raised through the issuance of debt and equity securities in domestic and foreign capital markets.

When procuring funds through borrowing, our financial discipline policy is to maintain the appropriate financial condition by considering the financial indicators such as a D/E ratio and an interest bearing debt/EBITDA ratio.

In order to flexibly access funding, we registered our shelf registration with the maximum outstanding balance of 300.0 billion yen.

We maintain commitment line agreements with a number of domestic banks under which we may borrow in order to ensure efficient access to necessary funds. These commitment line agreements generally provide for a one-year term, renewable upon mutual agreement between us and each of the lending banks, as well as another commitment line agreement with a contract term of three years ending on July 29, 2022. As of March 31, 2022, our unused commitment lines totaled 631.9 billion yen, including those of 536.7 billion yen which the Company maintained.

We receive debt ratings from Moody's Japan K.K. (Moody's), S&P Global Rating Japan Inc. (S&P), as well as Rating and Investment Information, Inc. (R&I). Our debt ratings as of March 31, 2022 were as follows.

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

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

2) Cash Flows

(Cash Flows from Operating Activities)

Net income in fiscal 2021 increased by 152.3 billion yen, as compared with fiscal 2020. Net cash inflow from a change in trade payables was 156.4 billion yen as compared with net cash outflow of 31.8 billion yen for fiscal 2020. However, net cash outflow from a change in trade receivables and contract assets was 33.2 billion yen as compared with net cash inflow of 89.7 billion yen for fiscal 2020. Net cash outflow from a change in inventories increased by 282.2 billion yen, and income tax payment increased by 59.5 billion yen, as compared with fiscal 2020, respectively.

As a result of the foregoing, net cash provided by operating activities was 729.9 billion yen in fiscal 2021, a decrease of 63.1 billion yen compared with fiscal 2020.

(Cash Flows from Investing Activities)

Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in fiscal 2021 decreased by 72.1 billion yen, as compared with fiscal 2020, due mainly to the purchase of shares of GlobalLogic Worldwide Holdings, Inc. in fiscal 2021, despite the purchase of shares of Hitachi Energy Ltd. in fiscal 2020. And, net amount of investments related to property, plant and equipment* was 330.0 billion yen in fiscal 2021. This net sum increased by 40.5 billion yen compared with fiscal 2020. Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in fiscal 2021 decreased by 513.5 billion yen, as compared with fiscal 2020, due mainly to the sale of shares of Hitachi Chemical Company, Ltd. and the diagnostic imaging-related business in fiscal 2020.

As a result of the foregoing, net cash used in investing activities was 1,048.8 billion yen in fiscal 2021, an increase of 590.0 billion yen compared with fiscal 2020.

* 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 fiscal 2021 was 261.1 billion yen, as compared with 292.9 billion yen of net cash inflow related to long-term debt in fiscal 2020. However, net cash inflow from a change in short-term debt in fiscal 2021 increased by 453.5 billion yen, as compared with fiscal 2020. And, net cash outflow related to purchase of shares of consolidated subsidiaries from non-controlling interests in fiscal 2021 decreased by 523.7 billion yen, as compared with fiscal 2020, due mainly to the purchase of shares of Hitachi High-Tech Corporation in fiscal 2020.

As a result of the foregoing, net cash provided by financing activities was 202.7 billion yen in fiscal 2021, as compared with 184.8 billion yen of net cash outflow in fiscal 2020.

** 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 March 31, 2022 were 968.8 billion yen, a decrease of 47.0 billion yen from March 31, 2021. Free cash flows, the sum of cash flows from operating and investing activities, were an outflow of 318.9 billion yen in fiscal 2021, a decrease of 653.2 billion yen compared with fiscal 2020.

3) Assets, Liabilities and Equity

As of March 31, 2022, total assets amounted to 13,887.5 billion yen, an increase of 2,034.6 billion yen from March 31, 2021. This was attributable to increased goodwill by the acquisition of GlobalLogic and increased inventories. Cash and cash equivalents as of March 31, 2022 amounted to 968.8 billion yen, a decrease of 47.0 billion yen from the amount as of March 31, 2021.

As of March 31, 2022, total interest-bearing debt, the sum of short-term debt and long-term debt, amounted to 3,126.7 billion yen, an increase of 729.3 billion yen from March 31, 2021, primarily as a result of increases in short-term debt and long-term debt (excluding current portion). As of March 31, 2022, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to 1,234.1 billion yen, an increase of 817.4 billion yen from March 31, 2021. As of March 31, 2022, the current portion of long-term debt amounted to 336.4 billion yen, an increase of 62.0 million yen from March 31, 2021. As of March 31, 2022, long-term debt (excluding current portion), consisting mainly of debentures, and loans principally from banks and insurance companies, amounted to 1,556.1 billion yen, a decrease of 150.1 billion yen from March 31, 2021.

As of March 31, 2022, total Hitachi, Ltd. stockholders' equity amounted to 4,341.8 billion yen, an increase of 816.3 billion yen from March 31, 2021. As a result, the ratio of total Hitachi, Ltd. stockholders' equity to total assets as of March 31, 2022 was 31.3%, compared with 29.7% as of March 31, 2021.

Non-controlling interests as of March 31, 2022 was 1,013.4 billion yen, an increase of 80.7 billion yen from March 31, 2021.

Total equity as of March 31, 2022 was 5,355.2 billion yen, an increase of 897.0 billion yen from March 31, 2021. The ratio of interest-bearing debt to total equity was 0.58, an increase of 0.04 point from March 31, 2021.

(4) Production, Order Received and Sales

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

(5) Important Accounting Policies and Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management considers that certain accounting estimates to be critical, and that their significance to the financial statements and the possibility that future events affecting the estimate may differ significantly from management's current assumptions could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. First, the estimates require us to make assumptions about matters that are highly uncertain at the time the accounting estimates are made. Second, there could be different estimates that we reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur as time proceeds. Important accounting policies that require management to make estimates and assumptions are as follows.

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

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

Business Combinations

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

Impairment of Assets

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

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

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

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

Deferred Tax Assets

Deferred tax assets are the amounts of taxes that will be recovered in future periods. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Although realization is not assured, we consider the scheduled reversals of deferred tax liabilities and projected future taxable income when assessing realizability. The outlook for future performance, which is the basis for estimating future taxable income, may differ from the actual one due to unforeseen events such as economic trends, supply and demand trends in markets, sales prices of products and services, procurement prices of raw materials and parts, fluctuations in exchange rates, and rapid technological innovations, and may be corrected in the future. As a result, the amounts of deferred tax assets that are determined to be recognizable may be adversely affected. The realizability of deferred tax assets is evaluated for each tax payment in each tax jurisdiction, and even if running similar businesses, the evaluations can differ depending on the product and the tax jurisdiction. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Based on these factors, we consider it is more likely than not it will realize the benefits of these deducible differences as of March 31, 2022. However, the actual times and amounts of taxable income occurrence may differ from the estimates.

Employee Retirement Benefits

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

(6) Forward-Looking Statements

Certain statements found in "1. Management Policy, Economic Environment and Challenges Hitachi Group Faces," "2. Risks Factors" and "3. Management's Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows" and other descriptions in this report may constitute "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such "forward-looking statements" reflect management's current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as "anticipate," "believe," "expect," "estimate," "forecast," "intend," "plan," "project" and similar expressions which indicate future events and trends may identify "forward-looking statements." Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the "forward-looking statements" and from historical trends. Certain "forward-looking statements" are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on "forward-looking statements," as such statements speak only as of the date of this report.

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

- economic conditions, including consumer spending and plant and equipment investment in Hitachi's major markets, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi's assets and liabilities are denominated;
- uncertainty as to Hitachi's ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- credit conditions of Hitachi's customers and suppliers;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to Hitachi's ability to response to tightening of regulations to prevent climate change
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers;
- uncertainty as to Hitachi's ability to attract and retain skilled personnel;
- uncertainty as to Hitachi's ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- exacerbation of social and economic impacts of the spread of COVID-19;
- the possibility of disruption of Hitachi's operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- estimates, fluctuations in cost and cancellation of long-term projects for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- increased commoditization of and intensifying price competition for products;
- fluctuations in demand of products, etc. and industry capacity;
- uncertainty as to Hitachi's ability to implement measures to reduce the potential negative impact of fluctuations in demand of products, etc., exchange rates and/or price of raw materials or shortages of materials, parts and components;
- uncertainty as to the success of cost structure overhaul;
- uncertainty as to Hitachi's ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- the potential for significant losses on Hitachi's investments in equity-method associates and joint ventures;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

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

4. Material Agreements, etc.

Cross License Agreement

Party	Party	Country	Item under contract	Contract description	Contract period
Hitachi, Ltd. (The Company)	International Business Machines Corp.	U.S.A.	Information handling systems	Cross license of patents	From January 1, 2008 to the expiration of patents applied on or before January 1, 2023
Hitachi, Ltd. (The Company)	HP Inc. Hewlett Packard Enterprise Company	U.S.A.	All products and services	Cross license of patents	From March 31, 2010 to the expiration of patents applied on or before December 31, 2014
Hitachi, Ltd. (The Company)	EMC Corporation	U.S.A.	Information handling systems	Cross license of patents	From January 1, 2003 to the expiration of patents applied on or before December 31, 2007
Hitachi-GE Nuclear Energy, Ltd. (Consolidated subsidiary)	GE-Hitachi Nuclear Energy Americas LLC	U.S.A.	Nuclear reactor systems	Cross license of patents and technology	From October 30, 1991 to June 30, 2023

5. Research and Development

(1) Research goals and major issues

The Group (Hitachi Ltd. and its consolidated subsidiaries) prioritizes the Social Innovation Business centering on digitization (digital transformation, or, DX) and environmental protection (green transformation, or, GX) in the distribution of research and development resources, works to strengthen value creation through DX and GX, strives to achieve business continuity, growth, to solve the issues of customers and society and to increase the quality of life (QoL) of people.

In addition to increasing the global competitiveness of its business activities, the Group carries out Collaborative Creation activities to solve issues faced by customers and society, invests in the creation of the world's best technologies and destructive technologies as medium- to long-term efforts for future growth, and expands the infrastructure for digital technology and improves overseas research resources to expand and globally develop the Lumada business, which constitutes a growth engine. The Group will accelerate the evolution of the Social Innovation Business with the research and development divisions of GlobalLogic Inc., Hitachi Energy Ltd., Hitachi Astemo, Ltd. and other affiliates.

(2) Research and development scheme

The Hitachi Group is striving to improve the efficiency of R&D through close coordination between the R&D divisions of the Company and those of its group companies. It has been expanding collaboration with universities and other research institutions both in Japan and abroad. In addition to partnering with domestic and overseas universities and other research institutions, the Hitachi Group established the Corporate Venturing Office in April 2019 and the second fund in October 2021 to actively strengthen its collaboration with startup companies.

The Company seeks to accelerate growth globally through the expansion of its Social Innovation Business. With this in mind, it has been facilitating research and development to quickly meet local needs by enhancing and increasing the number of its R&D facilities and personnel in North America, Europe, China, Asia and India while simultaneously expanding localization-oriented R&D. In 2015, the Company reorganized its R&D facilities in Japan and overseas, establishing an R&D scheme in which the Global Center for Social Innovation seeks to identify customer issues and create new solutions in collaboration with customers, the Center for Technology Innovation works to create innovative products and services while also supporting the development of new solutions through the fusion and application of technology platforms in focused areas, and the Center for Exploratory Research focuses on the cultivation of new areas through creative and vision-based fundamental exploratory research leveraging open innovation. In 2019, the Company established its new Kyōsō-no-Mori research initiative to accelerate innovation through open collaborative creation with customers and partners, and opened the Lumada Data Science Lab in Kyōsō-no-Mori in April 2020, where top class data scientists are encouraged to work together to achieve value creation through digital solutions.

Kyōsō-no-Mori (Central Research Laboratory)

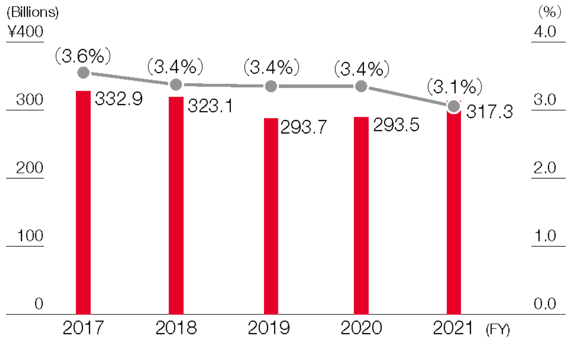
(3) R&D expenditures

The Hitachi Group's R&D expenditures for the fiscal year ended March 31, 2022 were 317.3 billion yen, 3.1% of revenues, that by segment is shown below.

(Billions of yen)

Segment	Fiscal Year ended March 31, 2022
IT	51.5
Energy	38.3
Industry	10.6
Mobility	30.6
Smart Life	50.5
Automotive Systems	75.8
Hitachi Construction Machinery	25.4
Hitachi Metals	12.4
Others	1.8
Corporate Items	20.0
Total	317.3

Research and Development Expenses Trends



Note: The number in parentheses is the percentage of research and development expenses to total revenues.

(4) R&D achievements

Notable R&D achievements in the fiscal year ended March 31, 2022 are as follows.

(i) Launch of a data extraction solution focusing on dark data held by companies (IT segment)

The IT segment has developed and begun providing a data extraction solution service focusing on a very large amount of data called "dark data" that is created and has been accumulated during daily corporate activities but not effectively used and developing new value from this dark data. This solution uses a dark data analysis engine centered on AI developed in a Stanford University program in the US that private-sector companies including Hitachi participated in. This is the sophisticated automation of the extraction of the data that is necessary when using documents such as invoices and medical records, whose formats and expressions vary depending on the issuer. The solution will contribute to the acceleration of management decision making and business reforms by using the valuable data extracted from the large amount of dark data accumulated every day.

(ii) Launch of the operation of a demonstration facility for an energy management system using Hitachi's low-carbon-related technologies at Kyōsō-no-Mori (Energy segment)

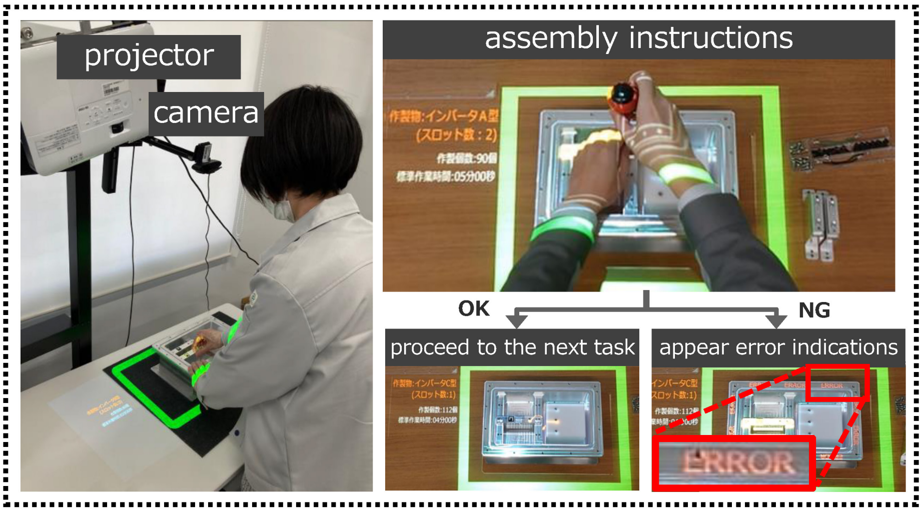
The Energy segment built an energy management system demonstration facility gathering Hitachi's power generation, electricity storage, facility maintenance, and other technologies at the R&D center, Kyōsō-no-Mori, and it has started to operate. An examination of the effects of this energy management system in fiscal 2020 at the Kokubunji site showed the system achieved a 20% CO_2 emissions reduction and a 30% energy cost reduction compared with fiscal 2018. Hitachi will continue to use the facility to pursue its customers achieving zero emissions, Collaborative Creation with customers in the environment segment and the creation of new energy solutions.

(iii) Demonstrated assembly support using 5G SA and AR for the digital transformation of the manufacturing and social infrastructure sectors (IT and Industry segments)

The IT and Industry segments have performed demonstration experiments to determine whether an assembly support application that uses the AR* technology in the 5G environment of the SA** system to create digital transformation use cases in the manufacturing and social infrastructure sectors. This application performs real-time analysis and decision-making from on-site image data using AI and displays recommended actions of workers on a workbench using project mapping to provide accurate operation support. The demonstration (joint demonstration with NTT Docomo, Inc.) using the 5G service provided by NTT Docomo resulted in the verification that the 5G settings met the allowable conditions for stable operation of the application, which had been unsuccessful using 4G LTE.

* AR: a technology that superimposes digital information into a real-world environment using a device such as a projector

** SA: a system that uses a 5G-dedicated base station and a 5G-dedicated core network



(iv) The standard elevator received a Good Design Award, iF Design Award and 10 Best New Products Award (Mobility segment)

The new model of standard elevator Urban Ace HF, received a 2021 Good Design Award from the Japan Institute of Design Promotion, a 2022 iF Design Award from iF International Forum Design GmbH, and a 10 Best New Products Award: Japan Brand in The Nikkan Kogyo Shimbun's 64th (2021) 10 Best New Products Awards. Elevators are equipped with the latest solutions to reduce the risk of infection, including internal cleaning, overcrowding prevention, non-contact operation, and Lumada solutions such as the dashboard for building owners and managers providing safe, secure and comfortable rides, which will be the standard in the era of the new normal created by the COVID-19 pandemic, and a new elevator use experience. (joint award with Hitachi Building Systems Co., Ltd.)

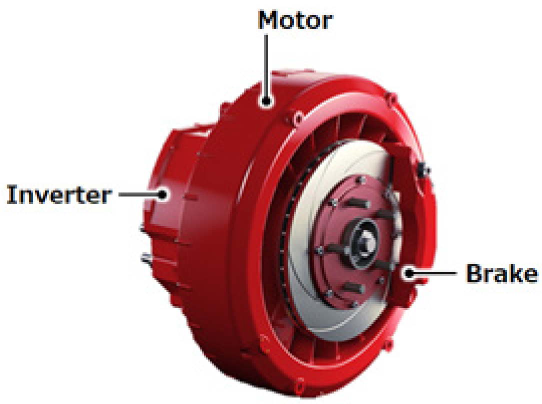
Urban Ace HF

(v) Established the world's first high-efficiency, high-quality manufacturing technology for actinium 225, a material required in alpha ray radionuclide therapy, which is radiotherapy given inside the body for cancer treatment (Smart Life segment)

The Smart Life segment established the world's first technology for manufacturing high-efficiency, high-quality actinium 225 which is required for alpha ray radionuclide therapy, one type of radiation therapy for cancer. The alpha ray radionuclide therapy is a new type of therapy in which a medicine made by combining a substance that emits alpha rays that are destructive to cancer cells and a drug that selectively accumulates in cancer cells is administered to attack cancer cells from inside the body. This therapy is known to effectively treat cancer not easily treated using existing methods, including cancer cells widely dispersed in the body, and expectations are rising for its fast development for practical use. (joint development with Tohoku University and Kyoto University)

(vi) Developed a compact, lightweight direct-drive system to make in-wheel electric vehicles a reality (Automotive System segment)

The Automotive System segment developed, a compact, lightweight direct-drive system, which allows the mounting of a motor, inverter, and brake inside a wheel, as electric vehicles are increasingly being driven for the creation of a carbon-neutral society. The new motor transmits the high drive force necessary to operate an EV directly to the wheels, and its lightweight design significantly limits the weight increase inside the wheels that has been conventionally a challenge for in-wheel units. Moreover, the integration of the inverter and brake into a single unit with the compact motor enables installation inside the wheels without a substantial change in the existing configuration of the suspension and other components. Hitachi and Hitachi Astemo will continue to research the practical implementation of the technology, which enables a larger interior spaces and battery installation spaces for EVs. (joint development with Hitachi Astemo, Ltd.)



Direct-drive system
(section in red installed inside wheel)

Electric vehicle (mock-up)
with direct-drive system installed inside wheel

(vii) Developed a technology for cyber-attacks, that enables the prompt sharing of information about countermeasures with other organizations while maintaining confidentiality (IT segment and Corporate Items)

The IT segment developed a technology for cyber attacks, that enables the prompt sharing of information about countermeasures with experts from other organizations while maintaining confidentiality. With this technology, the organization that has been attacked prepares an incident ticket stating the status of countermeasures and processes the information on the ticket based on the reliability of the security control of each organization participating in cooperative defense and the benefit that it is expected the organization will gain by sending the ticket. The organization will be able to respond efficiently to the attack by sharing the ticket with other organizations that have a track record of responding to cyber-attacks and obtaining useful feedback, thereby contributing to the creation of a safe and secure digital society. (joint development with Keio University and Chubu Electric Power Company,Incorporated)

III. Property, Plants and Equipment

1. Summary of Capital Investment, etc.

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

Capital investment (based on the amount recorded as tangible fixed assets and the investment property) in the fiscal year ended March 31, 2022 was 388.7 billion yen. A breakdown of capital investment by segment is as follows. From the beginning of the fiscal year ending March 31, 2022, Automotive Systems business consisting of Hitachi Astemo, Ltd. and its group companies' figures of the preceding fiscal year, which is compared with the figures of the beginning of the fiscal year ended March 31, 2022, is similarly changed.

Segment	Capital investment (Billions of yen)	Change from preceding fiscal year (%)	Main purpose of investment
IT	64.4	82	Streamline development and production of products
Energy	49.2	137	Facility of production for power grid products, etc., Streamline development and production of other products
Industry	17.5	89	Manufacturing facilities for industrial products
Mobility	28.7	140	Increase production of railway systems, Facility of production for building systems
Smart Life	33.4	67	Increase development and production of semiconductor processing and inspection equipment, and measurement and analytical systems, ERP (Enterprise Resource Planning), Streamline development and production of other products
Automotive Systems	86.2	131	Increase production of automotive equipment
Hitachi Construction Machinery	43.3	125	Streamline production of construction machinery
Hitachi Metals	33.4	120	Streamline production of specialty steel products and functional components and equipment, Increase production of magnetic materials, power electronics materials and applications, wires, cables and related products, etc.,
Others	17.2	56	Renovation offices, R&D facilities
Corporate Items & Eliminations	15.1	-	-
Total	388.7	108	-

(Notes) 1. The figures in the above table include the amount of the right-of-use assets and the investment property each of which is recorded as tangible fixed assets and other non-current assets, respectively.
2. These investments were mostly financed with the Hitachi Group's own capital.

2. Major Property, Plants and Equipment

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

The situation at the end of the fiscal year ended March 31, 2022 is as follows.

(1) Breakdown by Segment

(As of March 31, 2022)

Segment	Book value (Millions of yen)								Number of employees
	Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
IT	8,341 [844]	67,614	32,382	43,060	90,922	11,146	1,162	254,627	96,996
Energy	28,946 [10,609]	73,049	102,436	15,801	45,039	86	38,341	303,698	44,291
Industry	12,826 [2,063]	31,217	15,879	5,931	15,477	-	3,420	84,750	23,221
Mobility	16,247 [2,380]	93,289	29,813	20,581	14,536	1,136	8,632	184,234	53,604
Smart Life	14,660 [2,345]	60,476	29,496	28,206	17,995	-	12,454	163,287	18,402
Automotive Systems	51,747 [10,071]	127,497	263,384	32,035	25,285	-	75,409	575,357	64,152
Hitachi Construction Machinery	56,328 [9,611]	103,975	59,008	10,297	58,740	135,763	18,793	442,904	24,263
Hitachi Metals	62,045 [12,736]	87,791	144,113	12,798	12,056	-	15,800	334,603	27,753
Others	21,975 [1,503]	55,864	2,659	11,886	37,485	-	1,105	130,974	12,375
Subtotal	273,115 [52,162]	700,772	679,170	180,595	317,535	148,131	175,116	2,474,434	365,057
Corporate Items & Eliminations	(16,723) [1,040]	22,295	164	3,226	(5,115)	343	277	4,467	3,190
Total	256,392 [53,202]	723,067	679,334	183,821	312,420	148,474	175,393	2,478,901	368,247

(Note) The “Book value - Other” column includes the amount of operating lease assets for leasing business.

(2) The Company

(As of March 31, 2022)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Financial Institutions Business Unit, Social Infrastructure Systems Business Unit and Systems & Services Business Division (Kawasaki, Kanagawa)	IT	System development facilities, manufacturing facilities for servers, mainframes, etc.	607 [110]	37,911	114	16,168	22,995	6,874	178	84,851	8,856
Head Office (Chiyoda-ku, Tokyo)	Corporate	Other facilities	5,230 [987]	10,243	147	1,773	22,821	-	233	40,449	1,049
Research & Development Group (Kokubunji, Tokyo)	Others	R&D facilities	6,063 [776]	19,248	658	2,885	2,438	-	252	31,548	2,250
Railway Systems Business Unit (Kudamatsu, Yamaguchi)	Mobility	Manufacturing facilities for railway vehicles, etc.	1,013 [666]	14,558	5,632	659	4,076	-	305	26,245	2,804
Nuclear Energy Business Unit and Energy Business Unit (Hitachi, Ibaraki)	Energy	Manufacturing facilities for power generating equipment, etc.	9,276 [3,057]	4,819	173	822	1,391	-	905	17,388	1,067
Corporate Hospital Group (Hitachi, Ibaraki)	Corporate	Medical facilities	63 [53]	11,284	13	1,282	46	-	43	12,734	1,857
Control System Platform Business Division (Hitachi, Ibaraki)	IT	Manufacturing facilities for industrial machinery and plants, switchboards and calculation control equipment, system development facilities	521 [202]	6,275	523	2,047	2,074	1	361	11,805	6,400
IT Strategy & Digital Integration Division (Chiyoda-ku, Tokyo)	Others	System development facilities	- [-]	1,492	-	6,390	7	-	14	7,905	508
Smart Life Business Management Division (Taito-ku, Tokyo)	Smart Life	Manufacturing facilities for medical equipment	1,143 [12]	730	221	631	1,907	-	769	5,405	1,072
Industry & Distribution Business Unit and Water & Environment Business Unit (Chiyoda-ku, Tokyo)	Industry	Manufacturing facilities for industrial solution and water solution equipment	165 [89]	772	88	2,231	286	-	69	3,614	2,309

(3) Domestic subsidiaries

(As of March 31, 2022)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Hitachi Astemo, Ltd. (Hitachinaka, Ibaraki)	Automotive Systems	Manufacturing facilities for automotive equipment	21,248 [3,346]	44,093	74,054	9,255	-	8,364	9,422	166,440	16,469
Hitachi Metals, Ltd., Yasugi Works (Yasugi, Shimane)	Hitachi Metals	Manufacturing facilities for specialty steel products	8,200 [1,098]	12,565	31,948	1,836	18	-	1,886	56,453	1,618
Hitachi High-Tech Corporation, Naka Area (Hitachinaka, Ibaraki)	Smart Life	Manufacturing facilities for semiconductor processing equipment and test and measurement equipment, etc.	2,116 [241]	28,340	8,907	13,689	823	-	536	54,411	3,101
Hitachi Metals Neomaterial, Ltd. (Suita, Osaka)	Hitachi Metals	Manufacturing facilities for specialty steel products	11,160 [121]	3,505	14,297	1,118	247	-	152	30,479	1,038
Hitachi Construction Machinery Co., Ltd., Tsuchiura Works (Tsuchiura, Ibaraki)	Hitachi Construction Machinery	Manufacturing facilities for construction machinery	5,629 [4,963]	12,117	8,919	1,863	5,809	-	4,644	38,982	3,348
Hitachi Construction Machinery Co., Ltd., Hitachinaka-Rinko Works (Hitachinaka, Ibaraki)	Hitachi Construction Machinery	Manufacturing facilities for construction machinery	9,043 [259]	11,473	4,115	275	-	-	131	25,037	526
Hitachi Metals, Ltd., Ibaraki Works (Hitachi, Ibaraki)	Hitachi Metals	Manufacturing facilities for wires and cables, etc.	4,679 [1,182]	6,767	2,501	364	767	-	26	15,104	1,209
Hitachi Construction Machinery Co., Ltd., Hitachinaka Works (Hitachinaka, Ibaraki)	Hitachi Construction Machinery	Manufacturing facilities for construction machinery	1,980 [66]	5,132	5,448	489	1	-	320	13,370	359
HitachiAstemo Electric Motor Systems, Ltd. (Hitachinaka, Ibaraki)	Automotive Systems	Manufacturing facilities for automotive equipment	- [-]	852	9,144	305	3	-	2,628	12,932	318
Hitachi Global Life Solutions, Inc. Taga Works (Hitachi, Ibaraki)	Smart Life	Manufacturing facilities for Home appliances	289 [660]	3,430	4,523	4,070	3	-	168	12,486	1,110

(4) Overseas subsidiaries

(As of March 31, 2022)

Subsidiary (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Hitachi Energy Ltd (Zurich, Switzerland)	Energy	Manufacturing facilities for power grid products, etc.	15,092 [2,334]	59,670	99,255	13,709	41,567	-	37,327	266,620	37,520
Hitachi Vantara LLC (California, U.S.A.)	IT	Other facilities	- [-]	-	15,741	13,738	23,769	958	-	54,206	11,353
Waupaca Foundry, Inc. (Wisconsin, U.S.A.)	Hitachi Metals	Manufacturing facilities for automotive components	810 [5,085]	16,545	30,456	2,309	1,303	-	3,588	55,011	3,943
Hitachi Astemo Mexico, S.A. de C.V. (Querétaro, Mexico)	Automotive Systems	Manufacturing facilities for automotive equipment	3,402 [426]	5,354	23,180	538	-	-	3,358	35,832	3,917
Hitachi Astemo Netherlands B.V. (Eindhoven, Netherlands)	Automotive Systems	Manufacturing facilities for automotive equipment	- [-]	7,425	15,440	1,309	1,409	-	5,517	31,100	5,720

(Note) The figures for Hitachi Energy Ltd, Hitachi Vantara LLC and Hitachi Astemo Netherlands B.V. are presented in consolidated basis of each company.

3. Plans for Capital Investment, Disposals of Property, Plants and Equipment, etc.

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

The amount of capital investment for the fiscal year ending March 31, 2023 will be 392.0 billion yen (new installation and expansions, based on the amount recorded as tangible fixed assets and the investment property), and a breakdown by segment is as follows. From the beginning of the fiscal year ending March 31, 2023, report segments have been changed. Figures shown below are presented on the basis of the new segmentation.

Segment	Amount (Billions of yen)	Main purpose of investment
Digital Systems & Services	65.0	Streamline development and production of products
Green Energy & Mobility	80.0	Facility of production for power grid products, Facility of production for railway systems
Connective Industries	76.0	Manufacturing facilities for industrial products, Increase development and production of semiconductor processing and inspection equipment, and measurement and analytical systems, Facility of production for building systems, Streamline development and production of other products
Automotive Systems	96.0	Increase production of automotive equipment
Hitachi Construction Machinery	16.0	Streamline of production for construction machinery
Hitachi Metals	16.0	Increase and streamline production of specialty steel products and functional components and equipment, Increase production of magnetic materials and power electronics materials and applications, wires, cables and related products, etc.
Others	27.0	Facility of system development
Corporate Items & Eliminations	16.0	-
Total	392.0	-

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

IV. Information on the Company

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

(1) Total number of shares, etc.

1) Total number of shares

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

2) Issued shares

Class	Number of shares issued as of the end of fiscal year (shares) (March 31, 2022)	Number of shares issued as of the filing date (shares) (Note) (June 22, 2022)	Stock exchange on which the Company is listed	Description
Common stock	968,234,877	968,571,877	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	968,234,877	968,571,877	–	–

(Note) The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from June 1, 2022 to the filing date.

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

1) Details of stock option plans

Name	The First Stock Acquisition Rights of Hitachi, Ltd. (Note 1)	The Second Stock Acquisition Rights of Hitachi, Ltd. (Note 1)	The Third Stock Acquisition Rights of Hitachi, Ltd. (Note 1)
Date of resolution	June 29, 2016	April 6, 2017	April 11, 2018
Category and number of person to whom stock acquisition rights are granted	31 Executive Officers of the Company 42 Corporate Officers of the Company	33 Executive Officers of the Company 37 Corporate Officers of the Company	33 Executive Officers of the Company 35 Corporate Officers of the Company
Number of stock acquisition rights	8,009 [6,570]	8,439 [7,018]	8,502 [7,279]
Class, detail and number of shares to be issued upon exercise of stock acquisition rights	Common stock 160,180 shares [131,400 shares] (Note 2)	Common stock 168,780 shares [140,360 shares] (Note 2)	Common stock 170,040 shares [145,580 shares] (Note 2)
Amount to be paid in upon exercise of stock acquisition rights	¥1 per share	¥1 per share	¥1 per share
Exercise period of stock acquisition rights	From July 15, 2016 to July 14, 2046	From April 27, 2017 to April 26, 2047	From April 27, 2018 to April 26, 2048
Issue price for shares issued upon exercise of stock acquisition rights and amount of capitalization	Issue price: ¥1,345 (Note 3) Amount of capitalization: (Note 4)	Issue price: ¥1,843 (Note 3) Amount of capitalization: (Note 4)	Issue price: ¥2,431 (Note 3) Amount of capitalization: (Note 4)
Conditions for the exercise of stock acquisition rights	(Note 5, 6)	(Note 5, 6)	(Note 5, 6)
Matters regarding acquisition of stock acquisition rights through transfer	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.
Matters regarding substitute payment	—	—	—
Matters regarding grant of stock acquisition rights upon organizational restructuring	(Note 7)	(Note 7)	(Note 7)

(Notes) 1. The information is that as of the end of fiscal year (March 31, 2022). The number of stock acquisition rights and the number of shares to be issued upon exercise of stock acquisition rights in brackets in the lower row is information as of the end of the last month ended before the filing date (May 31, 2022). With regard to the other items, there is no change from the information as of the end of fiscal year.

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

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

In addition, if there is an unavoidable ground requiring an adjustment of the Number of Shares to be Issued, the Number of

Shares to be Issued may be adjusted to the extent necessary by a resolution of the Board of Directors.
Any fractions of less than one share resulting from the adjustment will be rounded down.

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

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

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

2) Details of shareholder right plans

Not applicable.

3) Details of other stock acquisition rights, etc.

Not applicable.

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

Not applicable.

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

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From April 1, 2017 to March 31, 2018	-	4,833,463,387	-	458,790	-	176,757
October 1, 2018 (Note 1)	(3,866,770,710)	966,692,677	-	458,790	-	176,757
From April 1, 2018 to March 31, 2019	-	966,692,677	-	458,790	-	176,757
May 31, 2019 (Note 2)	587,800	967,280,477	1,072	459,862	1,072	177,828
From April 1, 2019 to March 31, 2020	-	967,280,477	-	459,862	-	177,828
May 27, 2020 (Note 3)	604,800	967,885,277	928	460,790	928	178,756
From April 1, 2020 to March 31, 2021	-	967,885,277	-	460,790	-	178,756
June 15, 2021 (Note 4)	349,600	968,234,877	941	461,731	941	179,697
From April 1, 2021 to March 31, 2022	-	968,234,877	-	461,731	-	179,697

(Notes) 1. The Company completed the share consolidation of every five shares into one share for its common stock.

2. This increase is due to the issuance of new shares as restricted stock compensation.
   Issue price: 3,647 yen per share
   Amount by which stated capital is to be increased: 1,823.5 yen per share
   Allottees: 37 Executive officers of the Company and 34 Corporate officers of the Company
3. This increase is due to the issuance of new shares as restricted stock compensation.
   Issue price: 3,067 yen per share
   Amount by which stated capital is to be increased: 1,533.5 yen per share
   Allottees: 31 Executive officers of the Company and 33 Corporate officers of the Company
4. This increase is due to the issuance of new shares as restricted stock compensation.
   Issue price: 5,384 yen per share
   Amount by which stated capital is to be increased: 2,692 yen per share
   Allottees: 31 Executive officers of the Company and 35 Corporate officers of the Company
5. The Company issued its new shares on June 15, 2022. The total number of issued shares, common stock and capital reserve increased 337,000 shares, 1,086 million yens and 1,086 million yens respectively.

(5) Shareholders composition

(As of March 31, 2022)

Class of shareholders	Status of shares (one unit of stock: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders	2	205	76	2,426	1,112	157	234,989	238,967	-
Share ownership (units)	92	3,407,137	246,473	129,714	4,291,973	1,413	1,582,410	9,659,212	2,313,677
Ownership percentage of shares (%)	0.00	35.27	2.55	1.34	44.43	0.01	16.38	100.00	-

(Notes) 1. Of 998,721 shares of treasury stock, 9,987 units are included in the "Individuals and others" column, while 21 shares are included in the "Number of shares less than one unit" column.

2. Of the shares registered in the name of Japan Securities Depository Center, Incorporated (account for managing stocks whose shareholders have not transferred titles), 53 units are included in the "Other institution" column and 65 shares are included in the "Number of shares less than one unit" column.

(6) Major shareholders

(As of March 31, 2022)

Name	Address	Share Ownership (shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	181,747,800	18.79
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	63,047,700	6.52
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351, Boston, Massachusetts 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	22,788,025	2.36
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda- ku, Tokyo	20,000,099	2.07
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda- ku, Tokyo	19,551,338	2.02
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	One Lincoln Street, Boston MA USA 02111 (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	18,282,639	1.89
JP Morgan Chase Bank 385632 (Standing proxy: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (15-1, Konan 2-chome, Minato-ku, Tokyo)	17,799,073	1.84
State Street Bank West Client - Treaty 505234 (Standing Proxy: Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	16,509,187	1.71
NATS CUMCO (Standing proxy: Mizuho Bank, Ltd.)	C/O Citibank, New York 111 Wall Street, New York, NY, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	15,671,900	1.62
State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351, Boston, Massachusetts 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	14,656,120	1.52
Total	-	390,053,881	40.33

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

2. Some reports on substantial shareholdings regarding the Company under the Financial Instruments and Exchange Act are available for public inspection. However, the information in the reports is not described in the above table since the Company does not confirm the actual status of shareholdings as of March 31, 2022. The major contents of the reports are as follows. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The reports whose date on which the duty to file report is prior to the effective date of the share consolidation show the number of shares before the share consolidation.

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

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

(7) Information on voting rights

1) Issued shares

(As of March 31, 2022)

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	1,031,900	—	—
Shares with full voting right (others)	Common stock	964,889,300	9,648,893	—
Shares less than one unit	Common stock	2,313,677	—	—
Number of issued shares		968,234,877	—	—
Total number of voting rights	—		9,648,893	—

(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 March 31, 2022)

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	998,700	—	998,700	0.10
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	2,100	—	2,100	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	—	1,031,900	—	1,031,900	0.11

2. Information on Acquisition, etc. of Treasury Stock

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

(1) Acquisition of treasury stock resolved at the general meeting of shareholders
Not applicable.

(2) Acquisition of treasury stock resolved at the Board of Directors meetings
Acquisition of common stock under Article 155, Item 3

Classification	Number of shares (shares)	Total amount (yen)
Resolution details on Board of Directors（April 28,2022）（Note 1）（Acquisition period From May 2, 2022 to March 31, 2023）	50,000,000(maximum)	200,000,000,000(maximum)
Treasury stock acquired before the fiscal year	—	—
Treasury stock acquired during the fiscal year	—	—
Total number and total value of remaining shares to be acquired by the resolution	50,000,000	200,000,000,000
Unexercised rate as of the end of the fiscal year (%)	100.0	100.0
Treasury stock acquired during the current period (Note 2)	2,267,700	14,563,892,048
Unexercised rate as of the filing date (%)	95.5	92.7

(Notes) 1. The Board of Directors has resolved that the method of acquisition would be market purchase on the Tokyo Stock Exchange.
2. The number of treasury stock acquired due to requests to purchase stock less than one unit shares from June 1, 2022 to the filing date is not included.

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

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

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2022	40,813	252,049,491
Treasury stock acquired during the current period (Note2)	2,851	17,475,844

(Notes) 1. Acquisition of stock less than one unit shares due to purchase requests from shareholders under Article 192, Paragraph 1 of the Companies Act.
2. The number of treasury stock acquired due to requests to purchase stock less than one unit shares from June 1, 2022 to the filing date is not included.

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

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the fiscal year ended March 31, 2022	137,600	-
Treasury stock acquired during the current period	69,200	-

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

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

Classification	Fiscal year ended March 31, 2022		Current period (Note)	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Acquired treasury stock which was offered to subscribers	-	-	-	-
Acquired treasury stock which was canceled	-	-	-	-
Acquired treasury stock which was transferred due to merger, share exchange, share delivery or company split	-	-	-	-
Others (Acquired treasury stock which was transferred upon exercise of stock acquisition rights, and which was sold due to requests from shareholders holding stock less than one unit shares to sell additional shares)	235,491	742,679,435	82,005	246,493,097
Total number of treasury stock held	998,721	-	3,256,467	-

(Note) The followings are not included: the number of treasury stock which was transferred upon exercise of stock acquisition rights from June 1, 2022 to the filing date; the number of treasury stock which was sold due to requests from shareholders holding less than one unit shares to sell additional shares from June 1, 2022 to the filing date; the number of treasury stock acquired due to resolution at the Board of Directors meetings from June 1, 2022 to the filing date; and the number of treasury stock acquired due to purchase requests from shareholders holding stock less than one unit shares from June 1, 2022 to the filing date.

3. Dividend Policy

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

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

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

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

Based on the above policy, annual dividends of 125.0 yen per share were paid for the fiscal year ended March 31, 2022. It was resolved to pay interim dividends of 60.0 yen per share at the Board of Directors meeting held on October 27, 2021, resulting in the total amount of interim dividends of 58,035 million yen. In addition, it was resolved to pay year-end dividends of 65.0 yen per share at the Board of Directors meeting held on May 13, 2022, resulting in the total amount of year-end dividends of 62,870 million yen.

4. Corporate Governance, etc.

(1) Corporate governance

1) Basic policy about corporate governance

The Company considers growth of profits for shareholders and investors from long-term perspective as one of its important managerial objectives. As there are wide range of stakeholders for the Company and Hitachi group from shareholders and investors to customers and clients, the Company realizes that building good relationships with such stakeholders forms an important part of its corporate value.

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

In addition, the Company set Hitachi Group Codes of Conduct as behavior disciplines to be shared among Hitachi group to generate common values for the Hitachi group and promote understanding of social responsibilities to be fulfilled by the Company.

2) Outline of corporate organizations

Board of Directors

The Board of Directors approves basic management policy for the Hitachi Group and supervises the execution of the duties of executive officers and directors in order to sustainably enhance corporate value and the shareholders' common interests. The basic management policy includes medium-term management plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation and Board of Directors Regulations. As of June 22, 2022, the Board of Directors was made up of 12 Directors, and 9 of whom are Independent Directors* and two concurrently serve as Executive Officers.

* The "Independent Directors" in this report are the directors who fulfill the qualification requirements to be outside directors as provided by the Companies Act of Japan and also meet the independence criteria defined by the Company and those as provided by Japanese stock exchanges where the Company is listed, unless otherwise stated.

Within the Board of Directors, there are three statutory committees of the Nominating Committee, the Audit Committee and the Compensation Committee with Independent Directors accounting for the majority of members of each committee. The Board of Directors meetings were held 9 days during the fiscal year ended March 31, 2022, and the attendance rate of Directors at those meetings was 100%. The Nominating Committee meetings were held 10 days, the Audit Committee meetings were held 15 days, and the Compensation Committee meetings were held 5 days during the fiscal year ended March 31, 2022.

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

The Audit Committee has the authority to audit the execution of duties of Directors and Executive Officers and to determine on proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors, and consists of five Directors, including four Independent Directors and one standing Audit Committee member.

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

The members of the board of directors and each committee are described in "(2) Directors and Senior Management - 1) Lists of directors and senior management - (a) Directors."

With regard to the number of Directors and their election, the Company stipulates in its Articles of Incorporation that the Company shall have no more than 20 Directors. With regard to the adoption of resolution for the election of Directors, the Company stipulates in its Articles of Incorporation that the presence of shareholders representing one-third or more of the voting, that resolutions for the election of Directors shall be approved by attending shareholders possessing one-third or more of all voting rights of the shareholders who are entitled to exercise their votes, and that the resolution shall not be made by cumulative voting.

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

Executive Officers

Executive Officers decide on matters delegated to them by the Board of Directors and execute the Company's business affairs within the scope of assignments determined by the Board of Directors. As of June 22, 2022, the Company has 34 Executive Officers (See "(2) Directors and Senior Management - 1) Lists of directors and senior management - (b) Executive Officers.")

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

Senior Executive Committee

The Senior Executive Committee is a council to ensure that President deliberately decides on important managerial matters, which may affect the Company or the Hitachi Group business, through discussing from diverse viewpoints. It consists of 8 regular attendees as of June 22, 2022; President & CEO (Keiji Kojima), three Executive Vice President and Executive Officers (Masakazu Aoki, Yoshihiko Kawamura and Toshiaki Tokunaga), three Senior Vice President and Executive Officers (Hidenobu Nakahata, Masahiko Masahiko and Mamoru Morita) and one Vice President and Executive Officer (Kohei Kodama), and other attendees designated by the President.

Summary of the directors' and officers' liability insurance agreement

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

i) Coverage of insured persons

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

ii) Outline of the insurance agreement

The agreement compensates damages, litigation costs, etc. incurred by an insured person as a result of a claim for damages due to an act or omission of the insured person as an executive of a company. However, the Company has taken measures to ensure that the appropriateness of the execution of duties by officers is not impaired by excluding compensation for intentional negligence of duties, illegal acquisition of private benefits, and damages resulting from criminal acts. The entire insurance costs are beard by the Company or its subsidiaries holding the insurance agreement.

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

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

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

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

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

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

To enable to securely meet the quorum of the general meeting of shareholders under Article 309, Paragraph 2 of the Companies Act, the Company stipulates in its Articles of Incorporation that any resolution as provided in Article 309, Paragraph 2 of the Companies Act shall be adopted at a general meeting of shareholders where shareholders representing one-third or more of the voting rights of all the shareholders shall be present, by a majority of two-thirds or more of the voting rights of the shareholders who are present in such meeting and are entitled to vote.

5) Internal control system and risk management system

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

i) The following measures shall be taken to ensure the effectiveness of audits by the Audit Committee.

(a) When necessary, the Board of Directors may appoint one or more director(s), who does not serve concurrently as an executive officer, as a director responsible for assisting with the duties of the Audit Committee. In addition, the Board of Directors' Office (the "Office") shall be established specifically to assist with the duties of each Committee and the Board of Directors.

(b) In order to ensure the independence of the Office personnel from Executive Officers and the effect of instructions by the Audit Committee, the Office is staffed with personnel who work only for the Office and are not subject to orders and instructions of Executive Officers, and the Audit Committee shall be informed in advance of planned transfers of the Office personnel.

(c) Executive Officers and employees shall report without delay to the members of the Audit Committee significant matters affecting the Company and its subsidiaries, results of internal audits, and the implementation status of reporting under the internal reporting system. It shall be provided for in the company regulation that reporters using the internal reporting system, which is common for the Group, shall not receive disadvantageous treatment for reason of having made a report, and the secretariat of the system shall thoroughly administer this provision.

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

(e) Standing Committee member(s) shall be appointed to the Audit Committee, and activity plans of the Audit Committee shall be prepared in coordination with the audit plans of Internal Auditing Office.

ii) The following measures shall be effective to ensure the adequacy of business operations within the Company and the Hitachi Group.

(a) Such fundamental policies as the emphasis of the social responsibilities of business enterprises shall be shared with the subsidiaries of the Company.

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

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

(d) Information pertaining to the execution of duties by Executive Officers of the Company shall be prepared and maintained in accordance with internal rules.

(e) A structure shall be established in which each relevant department shall establish regulations and guidelines, conduct training, prepare and distribute manuals, and carry out other such measures with respect to various risks. Efforts shall be made to identify possible new risks through such things as progress reports on business operations and, should it become necessary to respond to a new risk, an Executive Officer responsible for responding thereto shall be appointed promptly.

(f) Efficient performance of duties of the Executive Officers of the Company, and Directors and Executive Officers of the subsidiaries shall be ensured through the following business management systems.

- The Senior Executive Committee shall be established in order to deliberate on and facilitate the formulation of decisions based on due consideration of diverse factors regarding important issues that affect the Company and/or the Hitachi Group.
- Based on the management policy, medium-term business plans and annual budgets, on which performance management is based, shall be prepared in order to operate business in a planned and efficient manner.
- Internal audits of the Company and its subsidiaries shall be conducted to monitor and identify the status of their business operations and to facilitate improvements.
- The Audit Committee shall receive the audit plans of the accounting auditors in advance, and the prior approval of the Audit Committee shall be required with respect to the fees to be paid to the accounting auditors.
- Documented business processes for matters to be reflected in financial reports shall be executed at the Company and its subsidiaries, and internal and external auditors shall examine said processes in order to ensure the reliability of financial reports.
- A structure for the adequate and efficient conduct of business operations common to the Hitachi Group companies shall be established.

(g) Continuous maintenance of a legal and regulatory compliance structure shall be ensured through the following business management systems.

- Internal audits shall be conducted, and various committees shall be established for legal and regulatory compliance activities. Furthermore, an internal reporting system common for the Group shall be established and education on legal and regulatory compliance shall be provided.
- Various policies and rules on compliance with laws shall be established, aiming to ensure that the employees are aware of the internal control systems overall and that the systems are effective.

(h) A system shall be established, in which the subsidiaries report on important issues and the progress in measures for operations to the Company through the Company’s Senior Executive Committee, medium-term business plans and the budget system.

(i) The policy on transactions within the Hitachi Group is to trade fairly based on market prices.

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

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

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

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

(2) Directors and Senior Management

1) Lists of directors and senior management

Men: 41 persons, Women: 3 persons

(Women's percentage to total number of Directors and Senior Management: 7%)

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

(a) Directors


Katsumi Ihara


Ravi Venkatesan


Cynthia Carroll


Ikuro Sugawara


Joe Harlan


Louise Pentland


Takatoshi Yamamoto


Hiroaki Yoshihara


Helmuth Ludwig


Keiji Kojima


Hideaki Seki


Toshiaki Higashihara

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Nominating Committee (Chair), Audit Committee and Compensation Committee	Katsumi Ihara	Sept. 24, 1950	6/2005 4/2009 6/2009 6/2010 6/2011 4/2015 6/2016 6/2018	Executive Deputy President, Representative Corporate Executive Officer, Member of the Board, Sony Corporation Executive Deputy President, Corporate Executive, Sony Corporation Executive Vice President, Representative Director, Sony Financial Holdings Inc. President, Representative Director, Sony Financial Holdings Inc. President, Representative Director, Sony Life Insurance Co., Ltd. Chairman, Director, Sony Life Insurance Co., Ltd. (Retired in June 2017) Chairman, Director, Sony Financial Holdings Inc. (Retired in June 2017) Director, Hitachi, Ltd.	(Note 1)	1,100
Director	Ravi Venkatesan	Jan. 12, 1963	7/1999 1/2004 4/2011 4/2013 8/2015 9/2018 7/2020	Chairman of the Board of Directors, Cummins India Ltd. (Retired in March 2004) Chairman, Microsoft India Pvt. Ltd. (Retired in September 2011) Independent Director, Infosys Ltd. (Retired in May 2018, served as Co-Chairman from April 2017 to August 2017) Venture Partner, Unitus Ventures LLC. (Currently in office) Chairman (Non-Executive), Bank of Baroda (Retired in August 2018) Special Representative for Young People & Innovation, UNICEF (Currently in office) Director, Hitachi, Ltd.	(Note 1)	400

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Nominating Committee	Cynthia Carroll	Nov. 13, 1956	10/1991 1/1996 10/1998 1/2002 3/2007 6/2013	General Manager, Foil Products, Alcan Inc. Managing Director, Aughinish Alumina Ltd., Alcan Inc. President, Bauxite, Alumina and Specialty Chemicals, Alcan Inc. President & CEO, Primary Metal Group, Alcan Inc. CEO, Anglo American plc. (Retired in April 2013) Director, Hitachi, Ltd.	(Note 1)	1,500
Direcor Member of Audit Commitee	Ikuro Suagawara	Mar. 6, 1957	7/2010 9/2012 6/2013 7/2015 8/2017 6/2022	Director-General of the Industrial Science and Technology Policy andEnvironment Bureau, Ministry of Economy, Trade and Industry of Japan ("METI") Director-General of the Manufacturing Industries Bureau, METI Director-General of the Economic and Industrial Policy Bureau, METI Vice-Minister of Economy, Trade and Industry of Japan Special Advisor to the Cabinet of Japan (Retired in June 2018) Director, Hitachi, Ltd.	(Note 1)	0
Director Member of Compensation Committee	Joe Harlan	May 5, 1959	9/1999 9/2001 11/2002 10/2004 10/2009 9/2011 9/2012 10/2014 10/2015 6/2018	Vice President and Chief Financial Officer, Lighting Business, General Electric Company Vice President, Corporate Financial Planning and Analysis, 3M Company President and Chief Executive Officer, Sumitomo 3M Ltd. Executive Vice President, Electro and Communications Business, 3M Company Executive Vice President, Consumer and Office Business, 3M Company Executive Vice President, Performance Materials, The Dow Chemical Company Executive Vice President, Chemicals, Energy and Performance Materials, The Dow Chemical Company Chief Commercial Officer and Vice Chairman, Market Business, The Dow Chemical Company Vice Chairman and Chief Commercial Officer, The Dow Chemical Company (Retired in August 2017) Director, Hitachi, Ltd.	(Note 1)	1,100

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director	Louise Pentland	Apr. 11, 1972	8/1997	Admitted as a Solicitor (UK)	(Note 1)	1,100
			7/2001	Senior Legal Counsel, Nokia Networks, Nokia Corporation		
			9/2007	Vice President, Acting Chief Legal Officer and Head of IP Legal, Nokia Corporation		
			7/2008	Senior Vice President and Chief Legal Officer, Nokia Corporation		
			6/2009	Admitted to New York State Bar Association		
			2/2011	Executive Vice President and Chief Legal Officer, Nokia Corporation (Retired in May 2014)		
			4/2015	General Counsel, PayPal, eBay Inc.		
			6/2015	Director, Hitachi, Ltd.		
			7/2015	Senior Vice President and Chief Legal Officer, PayPal Holdings, Inc.		
			9/2016	Executive Vice President and Chief Business Affairs & Legal Officer, PayPal Holdings, Inc.		
			1/2022	Executive Vice President and Senior Advisor, PayPal Holdings, Inc. (USA) (currently in office)		
Director Member of Compensation Committee (Chair)	Takatoshi Yamamoto	Oct. 20, 1952	12/1995	Managing Director, Morgan Stanley Japan Limited	(Note 1)	12,800
			6/1999	Managing Director and Vice Chairman, Tokyo Branch, Morgan Stanley Japan Limited		
			7/2005	Managing Director and Vice Chairman, UBS Securities Japan Co., Ltd.		
			6/2009	Managing Director, CASIO COMPUTER CO., LTD.		
			6/2011	Advisor, CASIO COMPUTER CO., LTD. (Retired in June 2012)		
			6/2016	Director, Hitachi, Ltd.		
Director Member of Nominating Committee and Audit Committee (Chair)	Hiroaki Yoshihara	Feb. 9, 1957	11/1978	Joined Peat Marwick Mitchell & Co.	(Note 1)	3,000
			7/1996	National Managing Partner, the Pacific Rim Practice, KPMG LLP		
			10/1997	The Board Member, KPMG LLP		
			10/2003	Vice Chairman and Global Managing Partner, KPMG International (Retired in April 2007)		
			6/2014	Director, Hitachi, Ltd.		

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Audit Committee	Helmuth Ludwig	Sept. 19, 1962	6/2001 8/2002 8/2007 10/2010 10/2011 10/2014 10/2016 1/2020 7/2020	President, Software and System House Division, Siemens AG President, Systems Engineering Division, Automation and Drives Group, Siemens AG President, Siemens PLM Software, Inc. Global Head of Communications, Industry Automation, Siemens Corp. President and CEO, Industry Sector, North America, Siemens Industry, Inc. Executive Vice President and Chief Digital Officer, Digital Factory Division, Product Lifecycle Management, Siemens Corp. Chief Information Officer, Siemens AG (Retired in December 2019) Professor of Practice in Strategy and Entrepreneurship, Cox School of Business, Southern Methodist University (Currently in office) Director, Hitachi, Ltd.	(Note 1)	1,300
Director Member of Compensation Committee	Keiji Kojima	Oct. 9, 1956	4/1982 4/2011 4/2012 4/2016 4/2018 6/2021 4/2022	Joined Hitachi, Ltd. General Manager, Hitachi Research Laboratory Vice President and Executive Officer Senior Vice President and Executive Officer Executive Vice President and Executive Officer President & COO and Director President & COO and Director	(Note 1)	100,800
Director Member of Audit Committee (Standing)	Hideaki Seki	Mar. 10, 1957	4/1979 4/2011 4/2013 4/2014 4/2015 4/2016 4/2018 4/2020 7/2020	Joined Hitachi, Ltd. Board Director, Hitachi Automotive Systems, Ltd. Vice President, Board Director, Hitachi Automotive Systems, Ltd. Executive Vice President, Board Director, Hitachi Automotive Systems, Ltd. President & COO, Representative Director, Hitachi Automotive Systems, Ltd. President & CEO, Representative Director, Hitachi Automotive Systems, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. President, Representative Director, Hitachi Building Systems Co., Ltd. (Retired in March 2020) Associate, Hitachi, Ltd. Director, Hitachi, Ltd.	(Note 1)	12,000

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Director Member of Nominating Committee	Toshiaki Higashihara	Feb. 16, 1955	4/1977 4/2006 4/2007 4/2008 4/2010 6/2010 4/2011 4/2013 4/2014 6/2014 4/2016 5/2021 6/2021 4/2022	Joined Hitachi, Ltd. Chief Operating Officer, Information & Telecommunication Systems Vice President and Executive Officer (Retired in March 2008) President, Hitachi Power Europe GmbH President and Chief Executive Officer, Hitachi Plant Technologies, Ltd. President and Representative Director, Hitachi Plant Technologies, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. President & COO, Hitachi, Ltd. President & COO and Director, Hitachi, Ltd. President & CEO and Director, Hitachi, Ltd. Executive Chairman, President & CEO and Director, Hitachi, Ltd. Executive Chairman & CEO and Director, Hitachi, Ltd. Executive Chairman, Representative Executive Officer and Director, Hitachi, Ltd.	(Note 1)	198,800
Total						333,900

(Notes) 1. The term of office of the Directors starts upon the election at the Annual General Meeting of Shareholders on June 22, 2022 and expires at the close of the Annual General Meeting of Shareholders for the fiscal year ending March 31, 2023.

2. Messrs. Katsumi Ihara, Ravi Venkatesan, Ikuro Sugawara, Joe Harlan, Takatoshi Yamamoto, Hiroaki Yoshihara and Helmuth Ludwig and Mses. Cynthia Carroll and Louise Pentland are directors who fulfill the qualification requirements to be outside directors as provided for in Article 2, Item 15 of the Companies Act.

(b) Executive Officers

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Representative Executive Officer, Executive Chairman General	Toshiaki Higashihara	Feb. 16, 1955	See "(a) Directors"		(Note 2)	198,800
Representative Executive Officer, President & CEO Overall management, railway systems business, nuclear energy business, energy business, power grids business and innovation strategies	Keiji Kojima	Oct. 9, 1956	See "(a) Directors"		(Note 2)	100,800
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (business for industrial digital, water & environment business, industrial products business, industrial equipment systems business, building systems business, smart life & ecofriendly systems business, measurement and analytical systems business and healthcare business)	Masakazu Aoki	Jun. 23, 1954	4/1977 4/2012 10/2014 4/2016 4/2017	Joined Hitachi, Ltd. President and Director, Hitachi Industrial Equipment Systems Co., Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	76,000
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (financial strategies, corporate pension system, investment strategies, investor relations strategies, cost structure reform, risk management, corporate auditing and corporate export regulation)	Yoshihiko Kawamura	Aug. 20, 1956	4/1979 4/2010 4/2015 4/2016 4/2017 4/2018 4/2022	Joined Mitsubishi Corporation Senior Vice President, Division COO, IT Service Division, Mitsubishi Corporation Joined Hitachi, Ltd. Executive Strategist, Information & Telecommunication Systems Group Deputy General Manager of IoT Business Promotion Division and General Manager of Incubation Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	56,900
Representative Executive Officer, Executive Vice President and Executive Officer Assistant to the President (business for financial institutions, business for government, public corporation and social infrastructure systems, defense systems business, services & platforms business, social innovation business promotion and digital strategies)	Toshiaki Tokunaga	Mar. 15, 1967	4/1990 4/2017 4/2018 4/2019 4/2020 4/2021	Joined Hitachi, Ltd. President, Hitachi Appliances, Inc. General Manager, Smart Life & Ecofriendly Systems Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd. Senior Vice President and Executive Officer, Hitachi, Ltd. Executive Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	55,700

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Senior Vice President and Executive Officer Services & platforms business	Jun Abe	Jun. 14, 1961	4/1984 4/2016 4/2018 4/2021	Joined Hitachi, Ltd. Senior General Manager, Control System Platform Division, Services & Platforms Business Unit Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	41,600
Senior Vice President and Executive Officer Business for government, public corporation and social infrastructure systems, and defense systems business	Katsuya Nagano	Aug. 30, 1958	4/1983 4/2016 4/2017 4/2021	Joined Hitachi, Ltd. General Manager of Social Infrastructure Information Systems Division, Information & Communication Technology Business Division Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	38,400
Representative Executive Officer, Senior Vice President and Executive Officer Human capital strategies, diversity & inclusion strategies, corporate communications strategies and safety and health management	Hidenobu Nakahata	Jan. 24, 1961	4/1983 10/2013 4/2014 4/2018	Joined Hitachi, Ltd. Deputy General Manager, Human Capital Group Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	55,800
Representative Executive Officer, Senior Vice President and Executive Officer Marketing & sales and regional strategies	Masahiko Hasegawa	Sept. 17, 1964	4/1987 4/2018 4/2020 4/2022	Joined Hitachi, Ltd. General Manager of Kansai Area Operation Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	28,600
Senior Vice President and Executive Officer Power grids business	Claudio Facchin	Jun. 26, 1965	1/2016 7/2020 4/2021	President, Power Grids business, ABB Ltd. CEO, Hitachi ABB Power Grids Ltd (Currently Hitachi Energy Ltd) (Currently in office) Senior Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	4,000
Senior Vice President and Executive Officer Management strategies	Mamoru Morita	Apr. 12, 1959	4/1983 4/2015 4/2016 4/2020	Joined Hitachi, Ltd. General Manager of Strategy Planning Division Vice President and Executive Officer Senior Vice President and Executive Officer	(Note 2)	50,300
Vice President and Executive Officer Railway systems business	Noriharu Amiya	Feb. 1, 1969	4/1992 4/2018 10/2019 4/2022	Joined Hitachi, Ltd. COO and CDO (Chief Digitalization Officer) of Railway Systems Business Unit General Manager of Management Planning Office, Strategy Planning Division Vice President and Executive Officer Vice President and Executive Officer	(Note 2)	13,200

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Healthcare business and measurement and analytical systems business	Takashi Iizumi	Oct. 14, 1960	4/1985 4/2021 4/2022	Joined Hitachi, Ltd. President of Hitachi High-Tech Corporation (Currently in office) Vice President and Executive Officer of Hitachi, Ltd.	(Note 2)	4,600
Vice President and Executive Officer Government & external relations	Hitoshi Ito	Feb. 19, 1959	4/1982 8/2011 1/2013 7/2014 10/2016 1/2018 4/2018	Joined Ministry of International Trade and Industry Councillor, Cabinet Secretariat Director-General, Reconstruction Agency Commissioner, Japan Patent Office Advisor, Tokio Marine & Nichido Fire Insurance Co., Ltd. Joined Hitachi, Ltd. Vice President and Executive Officer	(Note 2)	28,800
Vice President and Executive Officer Business for financial institutions	Tatsuro Ueda	Oct. 9, 1964	4/1987 4/2019 4/2021	Joined Hitachi, Ltd. COO, Financial Institutions Business Unit Vice President and Executive Officer	(Note 2)	17,800
Vice President and Executive Officer Energy business	Kenji Urase	Jun. 18, 1961	4/1986 3/2015 4/2017	Joined Hitachi, Ltd. President and Representative Director, Hitachi Power Solutions Co., Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	31,900
Vice President and Executive Officer Finance strategies and corporate pension system	Tomomi Kato	Oct. 13, 1963	4/1986 4/2018 4/2022	Joined Hitachi, Ltd. General Manager of Financial Strategy Division, Finance Group, and General Manager of Asset Management Office, Investment Strategy Division Vice President and Executive Officer	(Note 2)	15,600
Vice President and Executive Officer Nuclear energy business	Tadashi Kume	Jan. 4, 1963	4/1986 4/2019 4/2020	Joined Hitachi, Ltd. COO, Nuclear Energy Business Unit Vice President and Executive Officer	(Note 2)	24,400
Vice President and Executive Officer Legal matters, risk management and corporate auditing	Kohei Kodama	May 24, 1961	4/1987 4/2017 4/2018	Joined Hitachi, Ltd. Chief Business Risk management Officer, Systems & Services Business Division Vice President and Executive Officer	(Note 2)	27,100
Vice President and Executive Officer Marketing & sales strategies (business for connective industries)	Takashi Saito	Jan. 6, 1964	4/1987 4/2020 4/2022	Joined Hitachi, Ltd. General Manager of Kansai Area Operation Vice President and Executive Officer	(Note 2)	5,600

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Research & development	Norihiro Suzuki	Dec. 5, 1961	4/1986 10/2014 4/2015 4/2016	Joined Hitachi, Ltd. General manager of Central Research Laboratory General Manager of Global Center for Social Innovation, Research & Development Group, and General Manager of Central Research Laboratory Group Vice President and Executive Officer	(Note 2)	28,800
Vice President and Executive Officer Human capital strategies	Kenichi Tanaka	Jul. 9, 1961	4/1985 4/2018 4/2022	Joined Hitachi, Ltd. General Manager of Secretarial Office Vice President and Executive Officer	(Note 2)	17,100
Vice President and Executive Officer Digital strategies and services & platforms business	Jun Taniguchi	Dec 3, 1972	4/1995 4/2018 4/2019 4/2022	Joined Hitachi, Ltd. General Manager of Information Control Systems Division 3, Control System Platform Division, Services & Platforms Business Unit President of Hitachi Global Life Solutions, Ltd. Vice President and Executive Officer of Hitachi, Ltd.	(Note 2)	5,000
Vice President and Executive Officer Sustainability strategies, environmental strategies and diversity & inclusion strategies	Lorena Dellagiovanna	Apr. 15, 1969	10/1988 4/2020 4/2021	Joined Hitachi Europe GmbH Chief Diversity & Inclusion Officer, Hitachi, Ltd. (Currently in office) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	2,600
Vice President and Executive Officer Regional strategies (APAC)	Kojin Nakakita	Sept. 28, 1963	10/1988 4/2017 6/2017 4/2019	Joined Hitachi, Ltd. Chairman of Hitachi Asia Ltd. (Currently in office) Chairman of Hitachi India Pvt. Ltd. (Currently in office) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	28,700
Vice President and Executive Officer Water & environment business	Hideshi Nakatsu	May. 10, 1967	10/1997 4/2016 4/2019 4/2021	Joined Hitachi Metals, Ltd. President and Representative Director, Hitachi Plant Services Co., Ltd. (Retired in March 2020) CEO, Water & Environment Business Unit, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	17,800
Vice President and Executive Officer Information technology strategies	Seiichiro Nukui	Jan. 3, 1965	4/1988 2/2010 4/2015 4/2017 4/2019	Joined Accenture, Ltd. (Japan) Vice President of Company Executive, and General Manger of Communication, Electric, Media and High-tech Industry, Power & Industrial Equipment Division, Accenture Ltd. (Japan) Joined Hitachi, Ltd. Executive IT Strategist, Hitachi, Ltd. Urban Mobility Project Leader, Future Investment Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	28,400

Position and Responsibility	Name	Date of birth	Business experience, including experience in Hitachi, and functions		Term of office	Share ownership (shares)
Vice President and Executive Officer Railway systems business	Andrew Barr	Jan. 9, 1973	1/2002 1/2005 1/2014 5/2016 4/2019	Engineering Manager, Rolling Stock, UK Government Strategic Rail Authority Head of Maintenance Delivery [Rail Business], Hitachi Europe Ltd. COO, Hitachi Rail Europe Ltd. CEO, Ansaldo STS S.p.A. (Currently Hitachi Rail STS S.p.A.) Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	9,100
Vice President and Executive Officer Marketing & sales strategies (business for digital system & service)	Tatsuro Hoshino	Feb. 5, 1962	4/1984 4/2018 4/2021	Joined Hitachi, Ltd. President and Chief Executive Officer, Hitachi Solutions, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	21,440
Vice President and Executive Officer Supply chain management (manufacturing strategies and quality assurance) and safety and health management	Kentaro Masai	May 22, 1959	4/1982 4/2014 4/2016	Joined Hitachi, Ltd. President & CEO of Rail Systems Company, Infrastructure Systems Group Vice President and Executive Officer	(Note 2)	31,300
Vice President and Executive Officer Urban business strategies and building systems business	Shinya Mitsudomi	Jul. 5, 1958	4/1982 4/2017 4/2018	Joined Hitachi, Ltd. Group Head of Sales and Managing Director, Japan / Asia Pacific, Railway Systems Business Unit Vice President and Executive Officer	(Note 2)	29,100
Vice President and Executive Officer Cost structure reform and information security management	Masashi Murayama	Dec. 23, 1961	4/1985 4/2016 4/2019	Joined Hitachi, Ltd. CPO and General Manager, Value Chain Integration Division Vice President and Executive Officer	(Note 2)	30,400
Vice President and Executive Officer Business for industrial digital	Kazunobu Morita	May. 12, 1966	4/1991 3/2004 4/2019 4/2021	Joined Mitsubishi Petrochemical Co., Ltd. Joined Hitachi, Ltd. CSO, Industry Business Division, Hitachi, Ltd. Vice President and Executive Officer, Hitachi, Ltd.	(Note 2)	17,800
Vice President and Executive Officer Regional strategies (China)	Takashi Yoda	Aug. 22, 1966	4/1990 4/2018 4/2019	Joined Hitachi, Ltd. General Manager of Energy Business Co-Creation & Promotion Division, Power and Energy Business Administration Division Vice President and Executive Officer	(Note 2)	28,600
Total						1,172,040

(Notes) 1. The "Position and Responsibility" column describes positions and matters delegated to each of the Executive Officers by the Board of Directors.
2. The term of office of the Executive Officers expires on March 31, 2023.

2) Independent Directors

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

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

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

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

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

(b) Function of the Independent Directors

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

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

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

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

(c) Relationship between Independent Directors and the Company

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

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

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

(d) Supervising by the Independent Directors

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

(3) Audit

1) Audit by the Audit Committee

The Audit Committee consists of five Directors, including four Independent Directors and one standing Audit Committee member.

Mr. Hiroaki Yoshihara, the Chair of the Audit Committee, has considerable knowledge of finance and accounting based on his long experience at KPMG Group with businesses related to accounting, etc.

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

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

The Audit Committee receives reports and explanations about the audit plan and results of the audit from the accounting auditor, and based on the reports, verifies results of financial audits and internal control audits. In addition, the Audit Committee receives reports and explanations of quality control systems of the accounting auditor. Furthermore, the Company makes it a rule to obtain the prior approval of the Audit Committee for remuneration to the accounting auditor.

The attendance record of each member of the Audit Committee during the fiscal year ended March 31, 2022 is as follows.

Name	Attendance / Number of days held the Audit Committee (Note 1)	Attendance rate (Note 1)
Katsumi Ihara	15 days / 15 days	100%
Harufumi Mochizuki	15 days / 15 days	100%
Takatoshi Yamamoto	15 days / 15 days	100%
Hiroaki Yoshihara	15 days / 15 days	100%
Helmuth Ludwig (Note 2)	9 days / 9 days	100%
Hideaki Seki	15 days / 15 days	100%

(Notes) 1. They are based on the days held the Audit Committee during each member's term of office.
2. Mr. Ludwig was appointed on July 23, 2021.

During the fiscal year ended March 31, 2022, the Audit Committee engaged in a variety of activities as a whole Hitachi Group and by each business segment to study priority matters such as strengthening of collaboration and the facilitation of information sharing under a “tripartite audit” (audit by the Audit Committee, internal audit and audit by accounting auditors), and auditing of the establishment and operation of internal control systems from the perspective of risk management and validity of execution of duties. In addition, a standing committee member worked to obtain information as needed in a timely and accurate manner, mainly by collaborating with the Internal Auditing Office, among other departments, and attending important internal meetings such as the Senior Executive Committee, and facilitated information sharing with other committee members.

2) Internal audit

The Internal Auditing Office is in charge of internal audit within Hitachi Group and audits business units, corporate divisions of headquarters and subsidiaries and affiliates. The number of staff of the Internal Auditing Office is 43 as of March 31, 2022.

The Internal Auditing Office monitors and assesses whether overall business operations, including marketing, personnel management, labor management, compliance, procurement transactions, production, environment, disaster prevention, export regulations, information system, accounting and financing activities, and property management of Hitachi Group are properly carried out pursuant to audit standards established by the Company, and points out items required to be improved based on the results of auditing and follows up their improvements. The Internal Auditing Office reports in advance its internal audit plan to the Audit Committee, and reports results of auditing to the President and the Audit Committee.

Furthermore, relating to the internal control over financial reporting, the internal control division in the Internal Audit Office promotes to establish and maintain the internal control systems pursuant to the Company's guideline, assesses its effectiveness, and reports the results to the President and the Audit Committee.

3) Accounting audit

(a) Name of accounting auditor

Ernst & Young ShinNihon LLC

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

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

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

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

Koji Fujima, Yasuhiro Ozeki, Shinya Yoshida

(d) Assistants for audit works

58 CPAs and 109 staffs belonging to Ernst & Young ShinNihon LLC assist execution of accounting audit works as instructed by the three CPAs mentioned in (b).

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

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

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

- In the event the Audit Committee determines that the causes provided for in each item of Paragraph 1 of Article 340 of the Companies Act apply to an accounting auditor and the accounting auditor needs to be removed immediately, the Audit Committee shall remove the accounting auditor by unanimity. Should this occur, the Audit Committee member selected by the Audit Committee shall give a report on the removal of the accounting auditor and the reason therefor at the first general meeting of shareholders to be convened after the said removal.
- Besides the case above, it is determined that an accounting auditor should be replaced for such reason as the difficulty of ensuring an adequate performance of duties by the accounting auditor, the Audit Committee shall determine the contents of the agenda item on the non-retention of the accounting auditor to be submitted to the general meeting of shareholders.

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

(f) Evaluation for accounting auditor by the Audit Committee

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

4) Audit Fees

(a) Fees to accounting auditor

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2021	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	566	(Note 1) 39	525	(Note 1) 101
Consolidated subsidiaries	986	(Note 1) 14	959	(Note 1) 17
Total	1,552	53	1,484	118

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

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

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2021	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
The Company	-	(Note 1) 68	-	(Note 1) 37
Consolidated subsidiaries	4,553	(Note 2) 797	4,290	(Note 2) 515
Total	4,553	865	4,290	552

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

(c) Policy on determination of audit fees

For determining the amount of audit fees, the Company conducts hearing of the audit plan and verify efficiency of audit services, including the number of days, hours for auditing, the number of subjects to be audited and the scope of audit, etc., and appropriateness of the estimate. The Company also discusses with the accounting auditor taking into consideration the formation of auditors and audit fees for the preceding fiscal year. In addition, the Audit Committee receives the audit plans of the accounting auditors and the results of discussion between the auditors and Executive Officers of the Company and approves the amount of the fees in advance of the Company's decision.

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

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

(4) Compensation to Directors and Executive Officers

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

[Method of Determination of Policy]

The Company's Compensation Committee sets forth the policy on the determination of the amount of compensation, etc. of each Director and Executive Officer pursuant to applicable provisions of the Companies Act.

[Basic Policy]

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

[Compensation Structure]

(i) Matters relating to Directors

Compensation for Directors is basic remuneration as fixed pay. The amount of basic remuneration is decided by adjusting a basic amount to reflect full-time or part-time status, committee membership and position, and travel from place of residence, etc. A Director concurrently serving as an Executive Officer is not be paid compensation as a Director.

(ii)Matters relating to Executive Officers

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

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

<u>Basic remuneration</u>

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

<u>Short-term incentive compensation</u>

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

Evaluation items		Proportion of evaluation item	
		Executive Officers that constitute the Senior Executive Committee (Note)	Other Executive Officers
Performance-linked component	Company performance	80%	30%
	Division performance	-	50%
Individual target-linked component		20%	20%

(Note) "Executive Officers that constitute the Senior Executive Committee" are President o& CEO (Keiji Kojima), three Executive Vice President and Executive Officers (Masakazu Aoiki, Yoshihiko Kawamura and Toshiaki Tokunaga), three Senior Vice President and Executive Officers (Hidenobu Nakahata, Masahiko Hasegawa and Mamoru Morita) and Vice President and Executive Officer (Kohei Kodama) as of June 22, 2022. In the case that these Executive Officers are in charge of sectors or business units, the same proportion of evaluation item as for "Other Executive Officers" is used.

- The amount of the performance-linked component varies according to the evaluation of company performance and division performance.
- Company performance is evaluated referring to consolidated revenues, adjusted operating income, EBIT, and net income attributable to Hitachi, Ltd. stockholders in order to measure the level of achievement of consolidated financial forecasts disclosed to stakeholders, including shareholders and investors.
- Division performance is evaluated referring to adjusted operating income and operating cash flows for each division, among other indicators, to measure the level of achievement of targets under the Mid-term Management Plan and the annual budgets for divisions.
- The amount of the individual target-linked component varies according to the evaluation of the level of achievement of individual target for each Executive Officer determined based on his/her responsibility.

Medium- and Long-term incentive compensation
- The shares of restricted stock are granted in order to propel management from a medium- and long-term perspective and to provide incentives to bring about a sustainable increase in enterprise value by further promoting senior management's shared values with shareholders through the holding of shares during their term of office.
- The restriction on transfer shall be lifted if executive officers resign from all of the positions of the Company's executive officer, director, and corporate officer.
- With regard to one-half of granted shares of restricted stock, the number of shares whose transfer restriction is lifted shall be determined after ex-post evaluation. In the ex-post evaluation, the total shareholder return of Hitachi stock over the three years from the beginning of the fiscal year when the medium- and long-term incentive compensation is granted is compared with growth rate of TOPIX over the same period.
  - Lifting of transfer restrictions shall apply to all granted shares if the TSR/TOPIX Growth Rate Ratio is 120% or more.
  - Lifting of transfer restrictions shall apply to part of granted shares if the TSR/TOPIX Growth Rate Ratio is between 80% or more but less than 120% (*).
  - Transfer restrictions shall not be lifted for any shares if the TSR/TOPIX Growth Rate Ratio is less than 80%.

  * Number of shares whose transfer restrictions are lifted
  = Number of granted shares × {(TSR/TOPIX Growth Rate Ratio × 1.25) − 0.5}

  Shares whose transfer restrictions are not lifted shall be acquired by the Company without consideration.
- If it is deemed to be inappropriate to grant shares of restricted stock due to laws and regulations in the country of residence, etc., cash award based on the value of the Company's share price shall be substituted for restricted stock.
- From the fiscal year that commenced in April 2019, shares of restricted stock are granted in place of the stock options as stock-based compensation the Company has granted previously.

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

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

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

2) Amount of compensation

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)				Number of persons
		Fixed pay	Variable pay		Others	
			Short-term incentive compensation	Medium- and long-term incentive compensation		
Directors (excluding Independent Directors)	60	60	—	—	—	1
Independent Directors	408	408	—	—	—	10
Executive Officers	4,660	1,537	1,466	1,657	—	31
Total	5,129	2,006	1,466	1,657	—	42

(Notes) 1. The number of Directors indicated excludes three Directors who serve or served concurrently as Executive Officers.
2. The amount of compensation, etc. for Executive Officers includes the compensation from April to resignation for the Executive Officer who resigned as of May 12, 2021.
3. Fixed pay and short-term incentive compensation consist of monetary compensation, and medium- and long-term incentive compensation consist of monetary and non-monetary compensation.
4. Other than the above, there is the retirement allowance of 111 million yen for one Executive Officer who resigned as of May 12, 2021.

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

(Unit: billions of yen)

Indicators	Fiscal year ended March 31, 2022	
	Target	Results
Revenues	9,500.0	10,264.6
Adjusted Operating Income	740.0	738.2
EBIT	820.0	850.9
Net income attributable to Hitachi, Ltd. stockholders	550.0	583.4

The TSR/TOPIX Growth Rate Ratios defined in conditions for exercising stock option as stock-based compensation (stock acquisition rights) and in conditions for lifting transfer restrictions of restricted stock issued as medium- and long-term incentive compensation are as follows.

Name	Term	Total shareholder return / TOPIX Growth Rate Ratio
The First Stock Acquisition Rights of Hitachi, Ltd.	From April 1, 2016 to March 29, 2019	125.8%
The Second Stock Acquisition Rights of Hitachi, Ltd.	From March 31, 2017 to March 31, 2020	121.6%
The Third Stock Acquisition Rights of Hitachi, Ltd.	From March 30, 2018 to March 31, 2021	120.5%
Restricted Stocks issued in May 2019	From April 1, 2019 to March 31, 2022 (Note)	146.7%
Restricted Stocks issued in May 2020	From April 1, 2020 to March 31, 2022 (Note)	144.2%
Restricted Stocks issued in May 2021	From April 1, 2021 to March 31, 2022 (Note)	128.3%

(Note) The ratios are calculated to determine the number of stock acquisition rights that can be exercised by persons who retire from Executive Officers, Directors or Corporate Officers on March 31, 2022.

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

<table>
<tr><th rowspan="3">Name</th><th rowspan="3">Company</th><th rowspan="3">Category</th><th colspan="4">Total amount of each type (Millions of yen)</th><th rowspan="3">Total amount of compensation, etc. (Millions of yen)</th></tr>
<tr><th rowspan="2">Fixed pay</th><th colspan="2">Variable pay</th><th rowspan="2">Others (Note 3)</th></tr>
<tr><th>Short-term incentive compensation (Note 1)</th><th>Medium and Long-term incentive compensation (Note 2)</th></tr>
<tr><td>Toshiaki Higashihara</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer (Note 4)</td><td>148</td><td>156</td><td>203</td><td>0</td><td>508</td></tr>
<tr><td rowspan="3">Keiji Kojima</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer (Note 4)</td><td>104</td><td>123</td><td>76</td><td>—</td><td rowspan="3">308</td></tr>
<tr><td>Hitachi Global Life Solutions, Inc. (Consolidated subsidiary)</td><td>Director</td><td>1</td><td>0</td><td>—</td><td>–</td></tr>
<tr><td>Hitachi High-Tech Corporation (Consolidated subsidiary)</td><td>Chairman</td><td>1</td><td>0</td><td>–</td><td>–</td></tr>
<tr><td>Masakazu Aoki</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>60</td><td>80</td><td>76</td><td>–</td><td>217</td></tr>
<tr><td>Ryuichi Kitayama</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>60</td><td>62</td><td>129</td><td>–</td><td>251</td></tr>
<tr><td>Alistair Dormer</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>243</td><td>92</td><td>203</td><td>–</td><td>539</td></tr>
<tr><td>Toshiaki Tokunaga</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>60</td><td>94</td><td>26</td><td>–</td><td>180</td></tr>
<tr><td>Toshikazu Nishino</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>60</td><td>62</td><td>154</td><td>–</td><td>276</td></tr>
<tr><td rowspan="2">Jun Abe</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>45</td><td>71</td><td>35</td><td>–</td><td rowspan="2">155</td></tr>
<tr><td>Hitachi Information & Telecommunicati-on Engineering, Ltd. (Consolidated subsidiary)</td><td>Director</td><td>2</td><td>1</td><td>–</td><td>–</td></tr>
<tr><td rowspan="2">Yoshihiko Kawamura</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>44</td><td>51</td><td>49</td><td>–</td><td rowspan="2">150</td></tr>
<tr><td>Hitachi Astemo, Ltd. (Consolidated subsidiary)</td><td>Chairman</td><td>3</td><td>2</td><td>–</td><td>–</td></tr>
<tr><td>Katsuya Naganno</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>48</td><td>72</td><td>35</td><td>–</td><td>155</td></tr>
<tr><td rowspan="2">Hidenobu Nakahata</td><td>Hitachi, Ltd. (The Company)</td><td>Executive Officer</td><td>44</td><td>48</td><td>49</td><td>–</td><td rowspan="2">147</td></tr>
<tr><td>Hitachi High-Tech Corporation (Consolidated subsidiary)</td><td>Chairman</td><td>3</td><td>2</td><td>–</td><td>–</td></tr>
<tr><td>Claudio Facchin</td><td>Hitachi Energy Ltd (Consolidated subsidiary) (Note 5)</td><td>CEO</td><td>109</td><td>122</td><td>43</td><td>85</td><td>361</td></tr>
</table>

Name	Company	Category	Total amount of each type (Millions of yen): Fixed pay	Variable pay: Short-term incentive compensation (Note 1)	Variable pay: Medium and Long-term incentive compensation (Note 2)	Others (Note 3)	Total amount of compensation, etc. (Millions of yen)
Mamoru Morita	Hitachi, Ltd. (The Company)	Executive Officer	41	48	42	−	140
	Hitachi Industrial Equipment Systems Co., Ltd. (Consolidated subsidiary)	Director	1	0	−	−	
	Hitachi Global Life Solutions, Inc. (Consolidated subsidiary)	Director	0	0	−	−	
	Hitachi Metals, Ltd. (Consolidated subsidiary)	Director	4	−	−	−	
Yoji Takeuchi	Hitachi, Ltd. (The Company)	Executive Officer	36	28	56	−	120
Lorena Dellagiovan-na	Hitachi, Ltd. (The Company)	Executive Officer	53	34	18	−	108
	Hitachi Industrial Equipment Systems Co., Ltd. (Consolidated subsidiary)	Director	1	0	−	−	
Koji Nakakita	Hitachi, Ltd. (The Company)	Executive Officer	-	-	3	-	114
	Hitachi Asia Ltd. (Consolidated subsidiary) (Note 5)	Chairman of the Board	53	28	29	-	
Andrew Barr	Hitachi Rail Ltd. (Consolidated subsidiary) (Note 5)	Director	76	45	92	7	221
Hiroaki Nakanishi	Hitachi, Ltd. (The Company)	Executive Officer (Note 4)	17	18	138	111	285

(Notes) 1. Compensations from the Company and consolidated subsidiaries paid depending on financial results and individual performances in the short term are collectively called.
2. Medium- and long-term incentive compensation is stock options as stock-based compensation, restricted stock compensation, restricted stock units or cash award based on the value of the Company's share price.
3. The "Others" column shows the retirement allowance and the fringe benefit equivalent, etc.
4. Although concurrently serving as Director for the fiscal year ended March 31, 2022, Messrs. Toshiaki Higashihara, Keiji Kojima and Hiroaki Nakanishi did not receive compensation as Director.
5. The amount of the remuneration, etc. from foreign subsidiaries shows yen equivalent.

3) Authorities, roles and activities of the Compensation Committee

The Compensation Committee, which was established under the Companies Act, includes Independent directors that have majority in the number of committee members, holds the legal authority to determine remuneration for Directors and Executive Officers, and strives to ensure the objectivity, transparency and fairness of the remuneration determination processes. The Compensation Committee has the authority to determine remuneration policies and the details of remuneration (amount of compensation, etc.) of Directors and Executive Officers individually based on the policies. To determine the details of remuneration individually, the Committee confirms and reviews processes and details with respect to the assessment of basic remuneration amounts, evaluation of performance and individual targets related to short-term incentive compensation.

For the fiscal year ended March 31, 2022, based on policies for determining compensation for Directors and Executive Officers, the Compensation Committee determined amounts of remuneration for Directors and Executive Officers individually including short-term incentive compensation of Executive Officers in conjunction with which the Compensation Committee confirmed and reviewed the process and details of performance and individual target evaluations. Furthermore, the Compensation Committee re-examined the executive compensation system from the viewpoint of remuneration for top management at global enterprises and sharing of values with shareholders, and decided on policies for determining remuneration for Directors and Executive Officers that is applied in the fiscal year ending in March 2023, including the expansion of the restricted stock compensation to Japanese officers of some of the Company's group companies.

(5) Information on shareholdings

(a) Criteria for classification of investment securities

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

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

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

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

The Board of Directors verifies whether it is appropriate to hold shares for all stock the Company owns ever year. In such verification, each individual stock is re-examined as to the purpose of holding the shares and whether benefits from holding shares are in line with target level of capital efficiency. As the result of verification, the Company promotes the sales of shares for which significance of holding shares and economic rationale are not confirmed. Details of shares sold in the fiscal year ended March 31, 2022, are presented in (ii) below.

(ii) Number of stock names and balance sheet amount

	Number of stock names (stock names)	Total amount recorded in the balance sheet (millions of yen)
Unlisted stocks	152	23,341
Others	46	251,129

<Stocks increased in the fiscal year ended March 31, 2022> (Note)

	Number of stock names (stock names)	Total purchase price for the shares increased (millions of yen)	Reasons of increase
Unlisted stocks	3	1,231	Purchasing for strengthening and maintaining relationship for business and business transactions
Others	-	-	-

(Note) In addition to the stocks in the above tables, the Company holds one unlisted stock and one listed stock whose classification in accounting were changed from affiliated company's common stocks to investment securities due to decreased ownership percentages.

<Stocks decreased in the fiscal year ended March 31, 2022>

	Number of stock names (stock names)	Total selling price for the shares decreased (millions of yen)
Unlisted stocks	17	1,887
Others	10	47,750

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

Specified investment securities

Stock name	Fiscal year ended March 31, 2022 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2021 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Purpose of holdings and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
Mitsubishi HC Capital Inc.	167,678,580 95,576	– –	Acquired in relation to the reorganization, etc. of Hitachi Capital Corp. which was an affiliate of the Company (Note 4)	No
Renesas Electronics Corporation	61,990,548 88,770	61,990,548 74,388	Acquired in relation to the reorganization, etc. of Renesas Technology Corp. which was an affiliate of the Company	No
Western Digital Corporation	3,125,000 18,989	6,250,000 46,186	Maintaining and enhancing business relationship	No
Central Japan Railway Company	900,000 14,368	900,000 14,895	Maintaining and enhancing business transactions of selling products and providing services	No
Shin-Etsu Chemical Co., Ltd.	521,000 9,789	521,000 9,695	Maintaining and enhancing business transactions of selling products and providing services	Yes
East Japan Railway Company	406,200 2,888	812,400 6,368	Maintaining and enhancing business transactions of selling products and providing services	Yes
DAIICHI SANKYO COMPANY, LIMITED	900,000 2,412	900,000 2,902	Maintaining and enhancing business transactions of selling products and providing services	No
The Chiba Bank, Ltd.	3,269,000 2,370	3,269,000 2,370	Maintaining and enhancing business transactions of selling products and providing services	Yes
Ono Pharmaceutical Co., Ltd.	600,000 1,839	600,000 1,734	Maintaining and enhancing business transactions of selling products and providing services	Yes
Seibu Holdings Inc.	1,286,900 1,636	1,286,900 1,570	Maintaining and enhancing business transactions of selling products and providing services	No
Sapporo Holdings Limited	597,600 1,378	597,600 1,370	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 3)
West Japan Railway Company	215,000 1,094	215,000 1,319	Maintaining and enhancing business transactions of selling products and providing services	No

Stock name	Fiscal year ended March 31, 2022 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2021 (Note 1) Number of shares (shares) Balance sheet amount (Millions of yen)	Purpose of holdings and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
Seiko Electric Co., Ltd.	830,320 1,057	830,320 1,642	Maintaining and enhancing business transactions of purchasing raw materials and components, etc.	Yes
Keio Corporation	206,574 988	206,574 1,536	Maintaining and enhancing business transactions of selling products and providing services	Yes
Showa Denko K.K.	400,000 972	400,000 1,260	Maintaining and enhancing business transactions of selling products and providing services	Yes
Maxell, Ltd.	801,500 963	1,603,000 2,242	Maintaining and enhancing business relationship	No
Electric Power Development Co., Ltd.	523,280 914	523,280 1,012	Maintaining and enhancing business transactions of selling products and providing services	Yes
TOKYU CORPORATION	394,016 627	394,016 580	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 3)
Tosoh Corporation	328,500 595	328,500 695	Maintaining and enhancing business transactions of selling products and providing services	No
The Bank of Kyoto, Ltd.	100,000 535	100,000 681	Maintaining and enhancing business transactions of selling products and providing services	No
Keihan Holdings Co., Ltd.	121,927 367	121,927 560	Maintaining and enhancing business transactions of selling products and providing services	No
Kintetsu Group Holdings Co., Ltd.	104,291 365	104,291 440	Maintaining and enhancing business transactions of selling products and providing services	No
euglena Co., Ltd.	375,000 308	375,000 397	Maintaining and enhancing cooperative relationship in the area of R&D	No
The Keiyo Bank, Ltd.	550,275 272	550,275 252	Maintaining and enhancing business transactions of selling products and providing services	Yes
Cybertrust Japan Co., Ltd.	64,000 240	64,000 14	Maintaining and enhancing business transactions of selling products and providing services (Note 5)	No
TOMONY Holdings, Inc.	679,200 222	679,200 220	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 3)

Stock name	Fiscal year ended March 31, 2022 (Note 1)	Fiscal year ended March 31, 2021 (Note 1)	Purpose of holdings and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Taragaon Regency Hotel	508,030	508,030	Acquired as a result of substitute performance for accounting receivables	No
	187	153		
Daido Signal Co., Ltd.	300,000	300,000	Maintaining and enhancing business transactions of purchasing raw materials and components, etc.	Yes
	178	181		
ANA HOLDINGS INC.	50,000	50,000	Maintaining and enhancing business transactions of selling products and providing services	No
	128	128		
THE TAIKO BANK, LTD.	88,000	88,000	Maintaining and enhancing business transactions of selling products and providing services	No
	122	132		
Kita-Nippon Bank, Ltd.	73,500	73,500	Maintaining and enhancing business transactions of selling products and providing services	Yes
	115	147		
Nippon Yakin Kogyo Co., Ltd.	40,425	40,425	Maintaining and enhancing business transactions of selling products and providing services	No
	113	83		
Tochigi Bank, Ltd.	513,150	513,150	Maintaining and enhancing business transactions of selling products and providing services	No
	113	97		
San ju San Financial Group, Inc.	73,623	73,623	Maintaining and enhancing business transactions of selling products and providing services	No
	108	102		
THE SHIGA BANK, LTD.	40,000	40,000	Maintaining and enhancing business transactions of selling products and providing services	No
	88	95		
THE DAITO BANK, LTD.	110,000	110,000	Maintaining and enhancing business transactions of selling products and providing services	No
	75	77		
The Aichi Bank, Ltd.	16,250	16,250	Maintaining and enhancing business transactions of selling products and providing services	No
	73	49		
Senshu Ikeda Holdings, Inc.	315,327	315,327	Maintaining and enhancing business transactions of selling products and providing services	No
	54	56		
THE BANK OF KOCHI, LTD.	69,900	69,900	Maintaining and enhancing business transactions of selling products and providing services	No
	52	59		
Tokyo Kiraboshi Financial Group, Inc.	30,000	30,000	Maintaining and enhancing business transactions of selling products and providing services	Yes (Note 3)
	52	42		

Stock name	Fiscal year ended March 31, 2022 (Note 1)	Fiscal year ended March 31, 2021 (Note 1)	Purpose of holdings and reasons for increases (Note 2)	Holding shares of Hitachi, Ltd.
	Number of shares (shares)	Number of shares (shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
THE CHUKYO BANK, Ltd.	20,000	20,000	Maintaining and enhancing business transactions of selling products and providing services	No
	31	35		
Tomato bank, Ltd.	30,000	30,000	Maintaining and enhancing business transactions of selling products and providing services	No
	31	34		
Jimoto Holdings, Inc.	30,000	30,000	Maintaining and enhancing business transactions of selling products and providing services	No
	18	23		
Nishi-Nippon Railroad Co., Ltd.	6,000	6,000	Maintaining and enhancing business transactions of selling products and providing services	No
	16	17		
The Michinoku Bank, Ltd.	11,330	11,330	Maintaining and enhancing business transactions of selling products and providing services	No
	10	12		
THE NAGANO BANK, LTD.	6,900	6,900	Maintaining and enhancing business transactions of selling products and providing services	No
	8	9		
Kyushu Electric Power Company Inc.	–	237,000	Held for Maintaining and enhancing business transactions of selling products and providing services	No
	–	258		
Taiwan High Speed Rail Corporation	–	957,361	Held for Maintaining and enhancing business transactions of selling products and providing services	No
	–	116		
Hokuriku Electric Power Company	–	116,600	Held for Maintaining and enhancing business transactions of selling products and providing services	No
	–	88		
Tokyo Electric Power Company Holdings, Inc.	–	187,500	Held for Maintaining and enhancing business transactions of selling products and providing services	No
	–	69		
Zeon Corporation	–	38,000	Held for Maintaining and enhancing business transactions of selling products and providing services	No
	–	67		
Nankai Electric Railway Co., Ltd.	–	23,831	Held for Maintaining and enhancing business transactions of selling products and providing services	No
	–	60		

(Notes) 1. Since the number of stock which the Company owned as of March 31, 2021 and March 31, 2022 is less than 60, all of the stocks are listed.
2. Since it is hard to state quantitative effects of holding the investment securities, such effects are not described. Regarding the way to verify significance and relations of holding shares are described in "(i) Policy for shareholding and examination of the reasonableness of holding."
3. Shareholding by major subsidiaries of the issuers of each stock is included.
4. The classification in accounting was changed from affiliated company's common stocks to investment securities due to decreased ownership percentages.
5. The classification in accounting was changed to specified investment securities due to its new listing in the fiscal year ended March 31, 2022.

(c) Equity securities held for pure investment
None.

V. Financial Information

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

VI. Stock-Related Administration for the Company

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

(Notes) 1. Under the Articles of Incorporation, distribution of surplus through dividend payment, if any, will be made to shareholders of record as of March 31 and September 30 of each year. In addition, the Company may make further distributions of surplus to shareholders of record as of another record date.

2. The Articles of Incorporation provide that a holder of shares representing less than one unit does not have any other rights of a shareholder in respect of those shares, other than those specified in the Articles of Incorporation. This includes:
   (1) Rights under each item of Article 189, Paragraph 2 of the Companies Act;
   (2) Rights to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders; or
   (3) Rights stipulated in the Articles of Incorporation

VII. Reference Information on the Company

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

The Company has no parent company.

2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2021 to the filing date of this Annual Securities Report.

(1)	Annual Securities Report and documents attached, and Confirmation Letter (The 152nd business term (from April 1, 2020 to March 31, 2021))	Filed with the Director of the Kanto Local Finance Bureau on June 23, 2021
(2)	Internal Control Report	Filed with the Director of the Kanto Local Finance Bureau on June 23, 2021
(3)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on June 24, 2021
(4)	Quarterly Report and Confirmation Letter (The First Quarter of the 153rd business term (from April 1, 2021 to June 30, 2021))	Filed with the Director of the Kanto Local Finance Bureau on August 5, 2021
(5)	Quarterly Report and Confirmation Letter (The Second Quarter of the 153rd business term (from July 1, 2021 to September 30, 2021))	Filed with the Director of the Kanto Local Finance Bureau on November 12, 2021
(6)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 3 and 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on January 14, 2022
(7)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on February 2, 2022
(8)	Quarterly Report and Confirmation Letter (The Third Quarter of the 153rd business term (from October 1, 2021 to December 30, 2021))	Filed with the Director of the Kanto Local Finance Bureau on February 10, 2022
(9)	Extraordinary Report (pursuant to Article 19, Paragraph 2, Item 12 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.)	Filed with the Director of the Kanto Local Finance Bureau on April 28, 2022
(10)	Report for Share Repurchase	Filed with the Director of the Kanto Local Finance Bureau on May 10, 2022 and June 7, 2022
(11)	Securities Registration Statement	Filed with the Director of the Kanto Local Finance Bureau on May 11, 2022
(12)	Amended Securities Registration Statement (Amendment to Securities Registration Statement (11) above)	Filed with the Director of the Kanto Local Finance Bureau on May 11, 2022 May 12, 2022 May 13, 2022 May 16, 2022 May 17, 2022 May 18, 2022 May 19, 2022 and May 20, 2022

(13) Amended Shelf Registration Statement (Amended Shelf Registration Statement concerning the Shelf Registration Statement filed on June 28, 2021)	Filed with the Director of the Kanto Local Finance Bureau on November 30,2021 January 14, 2022 February 2, 2022 April 28, 2022 and June 20, 2022

Part II Information on Guarantors, etc. for the Company

Not applicable.

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Statement of Financial Position

Millions of yen

	Note	March 31, 2022	March 31, 2021
Assets			
Current assets			
Cash and cash equivalents	26	968,827	1,015,886
Trade receivables and contract assets	6,20,26	2,978,149	2,734,476
Inventories	7	2,042,432	1,653,395
Investments in securities and other financial assets	11,26	376,315	328,153
Other current assets	5	233,708	211,390
Total current assets		6,599,431	5,943,300
Non-current assets			
Investments accounted for using the equity method	5,8	411,201	472,105
Investments in securities and other financial assets	5,11,26	584,806	534,324
Property, plant and equipment	9	2,478,901	2,408,887
Goodwill	5,10	2,153,706	1,161,210
Other intangible assets	5,10	1,257,128	964,830
Other non-current assets	12	402,329	368,197
Total non-current assets		7,288,071	5,909,553
Total assets		13,887,502	11,852,853
Liabilities			
Current liabilities			
Short-term debt	26	1,234,119	416,635
Current portion of long-term debt	11,26	336,418	274,392
Other financial liabilities	26	294,047	288,973
Trade payables	13	1,754,633	1,515,954
Accrued expenses		738,030	698,553
Contract liabilities	20	1,069,732	933,844
Other current liabilities	5,14	427,087	468,579
Total current liabilities		5,854,066	4,596,930
Non-current liabilities			
Long-term debt	11,26	1,556,175	1,706,329
Retirement and severance benefits	15	414,839	433,954
Other non-current liabilities	8,12,14,26	707,145	657,408
Total non-current liabilities		2,678,159	2,797,691
Total liabilities		8,532,225	7,394,621
Equity			
Hitachi, Ltd. stockholders' equity			
Common stock	16	461,731	460,790
Capital surplus	5,16,19,26	46,119	84,040
Retained earnings	16,18	3,197,725	2,710,604
Accumulated other comprehensive income	17	639,263	273,561
Treasury stock, at cost	16	(3,002)	(3,493)
Total Hitachi, Ltd. stockholders' equity		4,341,836	3,525,502
Non-controlling interests	5,26	1,013,441	932,730
Total equity		5,355,277	4,458,232
Total liabilities and equity		13,887,502	11,852,853

See accompanying notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

Years ended March 31, 2022 and 2021 Millions of yen

	Note	2022	2021
Revenues	20	10,264,602	8,729,196
Cost of sales		(7,705,981)	(6,533,890)
Gross profit		2,558,621	2,195,306
Selling, general and administrative expenses		(1,820,385)	(1,700,126)
Other income	5,15,21	128,354	476,137
Other expenses	5,21	(83,965)	(172,407)
Financial income	22	27,938	13,969
Financial expenses	22	(97)	(1,456)
Share of profits (losses) of investments accounted for using the equity method	8	40,485	38,864
EBIT (Earnings before interest and taxes)		850,951	850,287
Interest income		15,492	16,934
Interest charges		(27,110)	(22,778)
Income from continuing operations, before income taxes		839,333	844,443
Income taxes	12	(168,469)	(325,247)
Income from continuing operations		670,864	519,196
Income (loss) from discontinued operations	23	0	(686)
Net income		670,864	518,510
Net income attributable to:			
Hitachi, Ltd. stockholders		583,470	501,613
Non-controlling interests		87,394	16,897
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	24		Yen
Basic		603.75	520.00
Diluted		602.96	519.22
Earnings per share attributable to Hitachi, Ltd. stockholders	24		
Basic		603.75	519.29
Diluted		602.96	518.51

Consolidated Statement of Comprehensive Income

Years ended March 31, 2022 and 2021 Millions of yen

	Note	2022	2021
Net income		670,864	518,510
Other comprehensive income (OCI)	17		
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		(11,224)	69,362
Remeasurements of defined benefit plans		30,795	88,736
Share of OCI of investments accounted for using the equity method		(403)	2,151
Total items not to be reclassified into net income		19,168	160,249
Items that can be reclassified into net income			
Foreign currency translation adjustments		391,489	191,821
Net changes in cash flow hedges		8,172	5,346
Share of OCI of investments accounted for using the equity method		41,207	58,755
Total items that can be reclassified into net income		440,868	255,922
Other comprehensive income (OCI)		460,036	416,171
Comprehensive income		1,130,900	934,681
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		958,008	838,237
Non-controlling interests		172,892	96,444

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended March 31, 2022

Millions of yen

	2022							
	Common stock (note 16)	Capital surplus (notes 16 and 26)	Retained earnings (notes 16 and 18)	Accumulated other comprehensive income (note 17)	Treasury stock, at cost (note 16)	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 26)	Total equity
Balance at beginning of year	460,790	84,040	2,710,604	273,561	(3,493)	3,525,502	932,730	4,458,232
Changes in equity								
Reclassified into retained earnings	-	-	14,861	(14,861)	-	-	-	-
Net income	-	-	583,470	-	-	583,470	87,394	670,864
Other comprehensive income	-	-	-	374,538	-	374,538	85,498	460,036
Dividends to Hitachi, Ltd. stockholders	-	-	(111,210)	-	-	(111,210)	-	(111,210)
Dividends to non-controlling interests	-	-	-	-	-	-	(63,647)	(63,647)
Acquisition of treasury stock	-	-	-	-	(251)	(251)	-	(251)
Sales of treasury stock	-	(291)	-	-	742	451	-	451
Issuance of new shares (note 19)	941	941	-	-	-	1,882	-	1,882
Changes in non-controlling interests	-	(38,571)	-	6,025	-	(32,546)	(28,534)	(61,080)
Total changes in equity	941	(37,921)	487,121	365,702	491	816,334	80,711	897,045
Balance at end of year	461,731	46,119	3,197,725	639,263	(3,002)	4,341,836	1,013,441	5,355,277

Year ended March 31, 2021

Millions of yen

	2021							
	Common stock (note 16)	Capital surplus (notes 5, 16 and 26)	Retained earnings (notes 16 and 18)	Accumulated other comprehensive income (note 17)	Treasury stock, at cost (note 16)	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (notes 5 and 26)	Total equity
Balance at beginning of year	459,862	464,795	2,296,208	(57,070)	(3,809)	3,159,986	1,106,753	4,266,739
Changes in equity								
Reclassified into retained earnings	-	-	9,436	(9,436)	-	-	-	-
Net income	-	-	501,613	-	-	501,613	16,897	518,510
Other comprehensive income	-	-	-	336,624	-	336,624	79,547	416,171
Dividends to Hitachi, Ltd. stockholders	-	-	(96,653)	-	-	(96,653)	-	(96,653)
Dividends to non-controlling interests	-	-	-	-	-	-	(41,076)	(41,076)
Acquisition of treasury stock	-	-	-	-	(159)	(159)	-	(159)
Sales of treasury stock	-	108	-	-	475	583	-	583
Issuance of new shares (note 19)	928	928	-	-	-	1,856	-	1,856
Changes in non-controlling interests	-	(381,791)	-	3,443	-	(378,348)	(229,391)	(607,739)
Total changes in equity	928	(380,755)	414,396	330,631	316	365,516	(174,023)	191,493
Balance at end of year	460,790	84,040	2,710,604	273,561	(3,493)	3,525,502	932,730	4,458,232

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended March 31, 2022 and 2021

	Note	2022	2021
		Millions of yen	
Cash flows from operating activities:			
Net income		670,864	518,510
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization		540,252	491,663
Impairment losses		35,091	109,009
Income taxes		168,469	325,247
Share of (profits) losses of investments accounted for using the equity method		(40,485)	(38,864)
Financial income and expenses		(2,012)	1,337
Net (gain) loss on business reorganization and others		(102,135)	(452,422)
(Gain) loss on sale of property, plant and equipment		(21,066)	(16,976)
Change in trade receivables and contract assets		(33,292)	89,722
Change in inventories		(330,187)	(47,937)
Change in trade payables		156,475	(31,811)
Change in accrued expenses		9,679	32,693
Change in retirement and severance benefits		(29,122)	(29,239)
Other		(52,596)	11,322
Subtotal		969,935	962,254
Interest received		16,372	21,648
Dividends received		18,824	20,560
Interest paid		(26,698)	(22,368)
Income taxes paid		(248,490)	(188,966)
Net cash provided by (used in) operating activities		729,943	793,128
Cash flows from investing activities:			
Purchase of property, plant and equipment		(296,968)	(254,750)
Purchase of intangible assets		(142,893)	(118,195)
Proceeds from sale of property, plant and equipment, and intangible assets		109,836	83,483
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	5	(933,200)	(861,035)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		168,892	682,408
Other		45,467	9,249
Net cash provided by (used in) investing activities		(1,048,866)	(458,840)
Cash flows from financing activities:	25		
Change in short-term debt, net		653,244	199,679
Proceeds from long-term debt		44,798	523,467
Payments on long-term debt		(305,943)	(230,488)
Proceeds from payments from non-controlling interests		-	5,190
Dividends paid to Hitachi, Ltd. stockholders		(111,149)	(96,611)
Dividends paid to non-controlling interests		(56,338)	(40,687)
Acquisition of common stock for treasury		(251)	(159)
Proceeds from sales of treasury stock		451	583
Purchase of shares of consolidated subsidiaries from non-controlling interests		(22,009)	(545,790)
Other		(64)	(22)
Net cash provided by (used in) financing activities		202,739	(184,838)
Effect of exchange rate changes on cash and cash equivalents		69,125	54,105
Change in cash and cash equivalents		(47,059)	203,555
Cash and cash equivalents at beginning of year		1,015,886	812,331
Cash and cash equivalents at end of year		968,827	1,015,886

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) Nature of Operations

Hitachi, Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The accompanying consolidated financial statements comprise the Company, its subsidiaries and the Company's interests in associates and joint ventures. The Company's and its subsidiaries' businesses are global and diverse, and include manufacturing and services in nine segments consisting of IT, Energy, Industry, Mobility, Smart Life, Automotive Systems, Hitachi Construction Machinery, Hitachi Metals and Others.

(2) Basis of Presentation

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

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

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

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

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

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

- note 3. *(a) Basis of Consolidation*
- note 3. *(d) Financial Instruments* and note 26. Financial Instruments and Related Disclosures

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

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

(3) Summary of Significant Accounting Policies

(a) Basis of Consolidation

(i) Subsidiaries

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

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

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

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

(ii) Associates and Joint Ventures

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

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

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

(iii) Structured Entities

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

(b) Cash Equivalents

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

(c) Foreign Currency Translation

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

(i) Foreign Currency Transactions

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

(ii) Foreign Operations

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

(d) Financial Instruments

(i) Non-derivative Financial Assets

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

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

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

Financial Assets Measured at Amortized Cost

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

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

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

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

FVTOCI Financial Assets

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

FVTPL Financial Assets

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

Impairment of Financial Assets

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

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

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

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

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

(ii) Non-derivative Financial Liabilities

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

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

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

(iii) Derivatives and Hedge Accounting

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

The Company accounts for hedging derivatives as follows:

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

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

(iv) Offsetting Financial Assets and Liabilities

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

(e) Put Options of Non-controlling Interests

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

(f) Inventories

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

(g) Property, Plant and Equipment

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

Buildings and structures	2 to 60 years
Machinery, equipment and vehicles	2 to 17 years
Tools, furniture and fixtures	2 to 20 years
Right-of-use assets	2 to 40 years

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

(h) Goodwill and Other Intangible Assets

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

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

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

(i) Leases

(i) Lessee

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

Right-of-use asset

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

Lease liability

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

(ii) Lessor

The Company and certain subsidiaries, as lessors, lease facilities, mainly buildings, machines, and equipment, whereby substantially all the risks and rewards incidental to the ownership of items of property, plant and equipment are transferred to the lessee. Therefore, such leases are classified as finance leases with the recognition of the underlying asset discontinued and the present value of the total amount of lease payments is used to recognize and measure the net investment in the lease.

If substantially all the risks and rewards incidental to the ownership remain with the lessor in a lease, it is classified as an operating lease, and the underlying asset is continuously recognized, and lease income is recognized over the lease term on a straight-line basis.

(j) Impairment of Non-Financial Assets

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

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

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

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

(k) Retirement and Severance Benefits

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

(i) Defined Benefit Plans

Defined benefit pension plans include defined benefit pension plans and severance lump-sum payment plans. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method. The present value of defined benefit obligations and the fair value of plan assets are remeasured as of the end of reporting period. Actuarial differences arising during the year and changes in fair value of plan assets (excluding interest income) are recognized in OCI and are not subsequently reclassified into profit or loss. Any prior service cost, which arises at the time of a plan amendment, is recognized immediately in profit or loss when such an amendment occurs. The present value of defined benefit obligations less the fair value of plan assets is presented as the net amount of defined benefit liability or asset in non-current liabilities or assets.
The measurement of a significant amount of employee retirement benefit costs is derived from actuarial valuations containing a number of actuarial assumptions including mortality, withdrawal and retirement rates, changes in wages and the discount rate. The Company and its subsidiaries make judgements regarding the actuarial assumptions used by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Actuarial assumptions are determined based on the best estimates and judgments, but may be affected by variance of uncertain economic conditions in the future or by amendments or issuance of related laws.

(ii) Defined Contribution Plans

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

(l) Provisions

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

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

(m) Contingencies

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

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

(n) Revenue Recognition

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

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

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

In estimating the stand-alone selling price, the Company considers various factors such as market conditions, entity-specific factors and information about the customer or situation of customer.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised amount of consideration does not include a significant financing component.

For a performance obligation satisfied over time, the Company measures its progress towards complete satisfaction of that performance obligation based on the costs incurred or the period of services being provided in consideration of the nature of the goods and services for the purpose of recognizing revenue. When the Company cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred.

The Company recognizes the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract as an asset if those costs are expected to be recovered, and those assets are amortized based on the methods used to recognize revenue of the goods or services to which the assets relate. The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one year.

Revenue recognition under long-term projects requires significant assumptions about the estimated total cost, estimated total selling price, risk associated with the contract, and other factors. These estimates are subject to variance of uncertain economic conditions in the future and may vary due to a variety of reasons beyond our control. The Company reviews these estimates on an ongoing basis and reflects them in accounting practices.

(o) Income Taxes

Deferred tax assets and liabilities resulting from temporary differences and others are accounted for based on a liability method. Deferred tax liabilities are not recognized for temporary differences arising from goodwill, temporary differences arising from an asset or liability in a transaction other than a business combination, which at the time of transaction affects neither accounting nor taxable income and future taxable difference arising from investments in subsidiaries, associates and joint ventures where that the Company is able to control the timing of reversal of the temporary difference while it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which unused tax loss carryforwards, unused tax credits and future deductible temporary differences can be utilized. A certain amount of negative impact caused by soaring material prices and a shortage of semiconductors is included in estimates of future taxable income. The timing and amounts of taxable income may be affected by fluctuations due to uncertain economic conditions in the future, and the actual timing and amounts may differ from the estimates. Current tax and deferred tax on items recognized in OCI are also recognized in OCI.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss and OCI in the period that includes the enactment date.

(p) Earnings per Share

Basic earnings per share (EPS) for net income attributable to Hitachi, Ltd. stockholders is calculated based on the weighted average number of ordinary shares outstanding during the period. Diluted EPS for net income attributable to Hitachi, Ltd. stockholders is calculated based on the sum of weighted average number of ordinary shares outstanding during the period and the conversion of securities with dilutive effects or the number of authorized shares.

(q) Business Combinations

Business combinations are accounted for using the acquisition method. The Company determines, on a transaction by transaction basis, whether to measure non-controlling interests at fair value or by the appropriate share in the fair value of identifiable net assets of the acquiree. Acquisition related costs are expensed in the period in which the costs are incurred.

(r) New Accounting Standards not yet Adopted by the Company

The impact of adopting the principal new accounting standards and interpretations issued or amended prior to the approval date of the consolidated financial statements that is not yet adopted by the Company as of the reporting date on the Company's financial position and business performance will not be material.

(4) Segment Information

Business Segments

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

The Company discloses its business in nine reportable segments, corresponding to categories of activities classified primarily by the similarities for the nature of markets, products and services, and economic characteristics. Several operating segments are aggregated into Energy, 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:

Digital solutions (Consulting, Software, Cloud services, System integration, Control systems), IT products (Storage, Servers), and ATMs

Energy:

Energy solutions (Nuclear, Renewable energy, Thermal, Power grid)

Industry:

Industry & distribution solutions, Water & environment solutions and Industrial machinery

Mobility:

Building systems (Elevators, Escalators) and Railway systems

Smart Life:

Smart life & ecofriendly systems (Home appliances, Air conditioners), Measurement and analytical systems (Medical and Bio, Semiconductor, Industry)

Automotive Systems:

Powertrain, Chassis, Advanced driver assistance and Motorcycle

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

Others:

Optical disk drives, Property management and others

In January 2021, Hitachi Automotive Systems, Ltd., a consolidated subsidiary of the Company, integrated management with Keihin Corporation, Showa Corporation, and Nissin Kogyo Co., Ltd and established Hitachi Astemo, Ltd. Subsequently, on April 1, 2021, in addition to the current five sectors which are the areas of focus of the Social Innovation Business, Hitachi Astemo, Ltd. was spun off from the Smart Life segment and positioned as a business alongside the five sectors. Also, this change will facilitate swift decision-making to establish a structure that will achieve smooth integration and growth strategies, create synergies and further accelerate the growth of the business. As a result, effective from April 1, 2021, the Automotive systems segment is identified as a separate reportable segment. Figures for the year ended March 31, 2021 have been restated on the basis of the reclassification.
Effective from April 1, 2022, the Company changed its business structure in order to realize further evolution and growth of the Social Innovation Business and aim to realize a sustainable society. Accordingly, the Company will reclassify its reportable segments in seven segments as Digital Systems & Services, Green Energy & Mobility, Connective Industries, Automotive Systems, Hitachi Construction Machinery, Hitachi Metals, and others.

In addition, from the year ending March 31, 2023, the segment profit (loss), previously presented based on EBIT, will be changed and presented on an Adjusted EBITA basis, as a measure of profit (loss) used by the chief operating decision maker mainly in deciding how to allocate resources and in assessing performance. Adjusted EBITA represents the profit (loss) calculated by deducting the selling, general and administrative expenses from the gross profit, adding back the amortization of intangible assets, etc. recognized upon business combinations, and adding the share of profits (losses) of investments accounted for using the equity method.

The following tables show business segment information for the years ended March 31, 2022 and 2021.

Revenues from External Customers

Millions of yen

	2022	2021
IT	1,988,339	1,892,355
Energy	1,388,891	1,054,555
Industry	737,850	669,956
Mobility	1,420,031	1,191,702
Smart Life	966,489	1,156,351
Automotive Systems	1,591,093	982,316
Hitachi Construction Machinery	1,022,793	812,341
Hitachi Metals	915,250	735,728
Others	223,401	221,422
Subtotal	10,254,137	8,716,726
Corporate items	10,465	12,470
Total	10,264,602	8,729,196

Revenues from Intersegment Transactions

Millions of yen

	2022	2021
IT	165,286	156,401
Energy	59,076	53,431
Industry	162,911	160,206
Mobility	5,719	7,930
Smart Life	62,954	96,400
Automotive Systems	6,625	5,267
Hitachi Construction Machinery	2,168	990
Hitachi Metals	27,451	25,887
Others	232,904	227,586
Subtotal	725,094	734,098
Corporate items and Eliminations	(725,094)	(734,098)
Total	-	-

Total Revenues

Millions of yen

	2022	2021
IT	2,153,625	2,048,756
Energy	1,447,967	1,107,986
Industry	900,761	830,162
Mobility	1,425,750	1,199,632
Smart Life	1,029,443	1,252,751
Automotive Systems	1,597,718	987,583
Hitachi Construction Machinery	1,024,961	813,331
Hitachi Metals	942,701	761,615
Others	456,305	449,008
Subtotal	10,979,231	9,450,824
Corporate items and Eliminations	(714,629)	(721,628)
Total	10,264,602	8,729,196

Segment Profit (Loss)

Millions of yen

	2022	2021
IT	240,600	244,860
Energy	26,617	(55,567)
Industry	79,477	42,366
Mobility	113,654	129,036
Smart Life	137,758	202,187
Automotive Systems	60,897	4,340
Hitachi Construction Machinery	112,233	27,678
Hitachi Metals	34,192	(49,155)
Others	32,552	25,319
Subtotal	837,980	571,064
Corporate items and Eliminations	12,971	279,223
Total	850,951	850,287
Interest income	15,492	16,934
Interest charges	(27,110)	(22,778)
Income from continuing operations, before income taxes	839,333	844,443

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 advanced 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.

Total Assets

Millions of yen

	March 31, 2022	March 31, 2021
IT	2,987,359	2,060,781
Energy	2,453,215	2,277,117
Industry	1,064,214	986,314
Mobility	2,049,840	1,887,517
Smart Life	1,216,090	1,194,891
Automotive Systems	1,612,438	1,605,474
Hitachi Construction Machinery	1,440,674	1,252,172
Hitachi Metals	1,072,025	976,773
Others	2,058,239	2,110,609
Subtotal	15,954,094	14,351,648
Corporate assets and Eliminations	(2,066,592)	(2,498,795)
Total	13,887,502	11,852,853

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

Investments Accounted for Using the Equity Method

Millions of yen

	March 31, 2022	March 31, 2021
IT	50,397	48,471
Energy	49,854	43,546
Industry	23,789	21,504
Mobility	31,055	24,899
Smart Life	124,750	77,162
Automotive Systems	10,271	9,455
Hitachi Construction Machinery	26,661	30,486
Hitachi Metals	11,611	11,494
Others	3,778	4,893
Subtotal	332,166	271,910
Corporate items and Eliminations	79,035	200,195
Total	411,201	472,105

Goodwill

Millions of yen

	March 31, 2022	March 31, 2021
IT	1,137,719	214,280
Energy	513,616	480,006
Industry	168,475	155,240
Mobility	82,374	76,051
Smart Life	3,725	3,475
Automotive Systems	97,154	94,557
Hitachi Construction Machinery	55,367	50,955
Hitachi Metals	95,276	86,646
Others	-	-
Subtotal	2,153,706	1,161,210
Corporate items	-	-
Total	2,153,706	1,161,210

Depreciation and Amortization

Millions of yen

	2022	2021
IT	118,080	107,649
Energy	91,005	86,726
Industry	22,833	24,578
Mobility	36,640	30,957
Smart Life	32,622	36,567
Automotive Systems	93,933	60,710
Hitachi Construction Machinery	56,549	51,246
Hitachi Metals	46,531	50,407
Others	32,857	33,887
Subtotal	531,050	482,727
Corporate items and Eliminations	9,202	8,936
Total	540,252	491,663

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

Impairment Losses

Millions of yen

	2022	2021
IT	20,575	17,112
Energy	1,766	2,692
Industry	4,483	11,358
Mobility	-	816
Smart Life	1,025	5,664
Automotive Systems	4,594	34,270
Hitachi Construction Machinery	196	1,391
Hitachi Metals	1,009	35,857
Others	1,865	469
Subtotal	35,513	109,629
Corporate items and Eliminations	(422)	(620)
Total	35,091	109,009

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

Share of Profits (Losses) of Investments Accounted for Using the Equity Method

Millions of yen

	2022	2021
IT	2,286	1,732
Energy	4,955	4,545
Industry	3,142	2,462
Mobility	2,047	6,966
Smart Life	15,202	12,535
Automotive Systems	526	380
Hitachi Construction Machinery	6,224	1,428
Hitachi Metals	1,152	77
Others	134	541
Subtotal	35,668	30,666
Corporate items and Eliminations	4,817	8,198
Total	40,485	38,864

Share of profits (losses) of investments accounted for using the equity method includes impairment losses and reversal of impairment losses on investments accounted for using the equity method.

Capital Expenditures

Millions of yen

	2022	2021
IT	122,789	127,277
Energy	76,460	49,162
Industry	20,826	22,260
Mobility	47,457	36,642
Smart Life	42,525	64,336
Automotive Systems	100,006	75,323
Hitachi Construction Machinery	49,119	39,640
Hitachi Metals	34,354	28,806
Others	22,722	37,379
Subtotal	516,258	480,825
Corporate items and Eliminations	15,769	(2,677)
Total	532,027	478,148

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

Geographic Information

The following table shows revenues attributed to geographic areas based on the location of the customers for the years ended March 31, 2022 and 2021.

Millions of yen

	2022	2021
Japan	4,187,077	4,154,818
Asia	2,514,843	1,893,620
North America	1,555,142	1,117,554
Europe	1,299,413	1,013,487
Other Areas	708,127	549,717
Overseas Revenues Subtotal	6,077,525	4,574,378
Total Revenues	10,264,602	8,729,196

Revenues in China for the years ended March 31, 2022 and 2021 were 1,331,618 million yen and 1,043,279 million yen, respectively. Revenues in the U.S.A. for the years ended March 31, 2022 and 2021 were 1,411,681 million yen and 1,012,134 million yen, respectively. Revenues from external customers attributable to any individual country and region other than Japan, China and the U.S.A. were not material for the years ended March 31, 2022 and 2021.

The following table shows the balances of property, plant and equipment, investment properties, goodwill and other intangible assets for each geographic area as of March 31, 2022 and 2021.

Millions of yen

	March 31, 2022	March 31, 2021
Japan	1,689,869	1,767,672
Asia	606,730	543,842
North America	1,895,835	677,996
Europe	1,468,064	1,322,323
Other Areas	262,535	263,152
Subtotal	5,923,033	4,574,985
Corporate items and Eliminations	7,756	5,325
Total	5,930,789	4,580,310

The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in the U.S.A. as of March 31, 2022 and 2021 were 1,880,653 million yen and 657,570 million yen, respectively. The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in the Swiss Confederation as of March 31, 2022 and 2021 were 1,124,510 million yen and 1,065,360 million yen, respectively. The balances of property, plant and equipment, investment properties, goodwill and other intangible assets in any individual country and region other than Japan, the U.S.A. and the Swiss Confederation were not material as of March 31, 2022 and 2021.

Significant Customer Information

There was no concentration of revenues from a specific customer for the years ended March 31, 2022 and 2021.

(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures for the year ended March 31, 2022, including the period up to the approval date of the consolidated financial statements.

(a) Sale of all shares of Hitachi Transport System, Ltd. (Hitachi Transport System)

On April 28, 2022, the Company entered into an agreement regarding the following three points, etc. for the common stocks of Hitachi Transport System (Hitachi Transport System Shares), an equity method affiliate of the Company, with HTSK Co., Ltd. (Offeror), a wholly owned subsidiary of HTSK Holdings Co., Ltd. (Offeror Parent), all equity interests in which are currently owned by HTSK Investment L.P., which is indirectly held and operated by Kohlberg Kravis Roberts & Co. L.P.

(i) The Offeror will launch a tender offer (Tender Offer) for Hitachi Transport System Shares and the Company will not tender any of its shares of Hitachi Transport System (Shares to Be Sold by the Company) in the Tender Offer.

(ii) The Company will sell the Shares to Be Sold by the Company in accordance with the share repurchase to be conducted by Hitachi Transport System.

(iii) The Company obtains 10.0 billion yen worth of the Offeror Parent's shares with voting rights (equivalent to 10% of the total voting rights).

The consideration is expected to be approximately 222.0 billion yen.

Assuming the transaction is settled, Hitachi Transport System will be no longer the Company's equity method affiliate. An expected gain on the sale of Hitachi Transport System Shares in the amount of approximately 140.0 billion yen will be recognized in Other income in the consolidated statement of profit or loss for the year ending March 31, 2023.

(b) Sale of shares of Hitachi Construction Machinery Co., Ltd. (Hitachi Construction Machinery)

On January 14, 2022, the Company entered into an agreement regarding the transfer of a part of the shares of Hitachi Construction Machinery, a consolidated subsidiary of the Company in the Hitachi Construction Machinery segment, with HCJI Holdings G.K., a special purpose company which is expected to be jointly invested by HCJ Holdings2 G.K., a special purpose company wholly owned by a fund that Japan Industrial Partners, Inc. manages, operates, and provides information, and Citrus Investment LLC, a special purpose company wholly owned by ITOCHU Corporation.

The consideration is expected to be approximately 182.4 billion yen. Assuming the transaction is settled, it is expected that the Company's ownership ratio of shares of Hitachi Construction Machinery will decrease from 51.4% to 25.4%, and Hitachi Construction Machinery will turn into an equity-method associate of the Company.

An expected gain on the sale of Hitachi Construction Machinery shares in the amount of approximately 62.0 billion yen will be recognized in Other income in the consolidated statement of profit or loss for the year ending March 31, 2023. Furthermore, non-controlling interests in Hitachi Construction Machinery will decrease approximately 369.0 billion yen in the consolidated statement of changes in equity for the year ending March 31, 2023.

(c) Acquisition of Thales' ground transportation systems business

On August 3, 2021, Hitachi Rail Ltd. (Hitachi Rail), a consolidated subsidiary of the Company in the Mobility segment, signed an agreement with Thales S.A. (Thales) to acquire the ground transportation systems business in order to expand the rail signalling systems business globally. Based on the agreement, Hitachi Rail will acquire Thales' ground transportation systems business which will be carved out from Thales. The transaction is subject to the usual conditions including regulatory and antitrust clearances and is expected to be completed by the fiscal year ending March 31, 2023. Hitachi Rail agreed on an enterprise value of 1,660 million euro (approximately 215.0 billion yen) and the final purchase price will be determined after certain adjustments. The effects of this transaction on the Company's consolidated financial statements are currently being evaluated.

(d) Sale of all shares of Hitachi Metals, Ltd. (Hitachi Metals)

On April 28, 2021, the Company entered into an agreement regarding the following four points for the common stocks of Hitachi Metals (Hitachi Metals Shares), a consolidated subsidiary of the Company in the Hitachi Metals segment, with K. K. BCJ-52 (Tender Offeror), a wholly owned company of G.K. BCJ-51, the outstanding shares of which are indirectly owned by investment funds which Bain Capital Private Equity, LP and its group provide with investment advice.

(i) Tender Offeror will launch a tender offer (Tender Offer) for Hitachi Metals Shares, when conditions for the commencement of Tender Offer are satisfied, and the Company will not apply for Tender Offer with regard to all of the Hitachi Metals Shares held by the Company (Shares to Be Sold by the Company).

(ii) In the event Tender Offer is enacted and Tender Offeror is unable to acquire all of the Hitachi Metals Shares (excluding treasury stock held by Hitachi Metals and Shares to Be Sold by the Company) in Tender Offer, Tender Offeror and the Company will request convening of a general meeting of shareholders on the matter of items required for implementation of share consolidation (Share Consolidation) on Hitachi Metals and exercise approval right for the proposal.

(iii) As promptly as practically possible after Tender Offeror and the Company become holders of all shares of Hitachi Metals (excluding treasury stock held by Hitachi Metals) as a result of Share Consolidation, capital reduction and other measures (Capital Reduction) will be performed for Hitachi Metals in order to secure distributable amount required for acquisition of treasury stock by Hitachi Metals (Share Repurchase).

(iv) Immediately after Capital Reduction takes effect, Shares to Be Sold by the Company will be transferred to Hitachi Metals as a result of Share Repurchase.

The consideration is expected to be approximately 382.0 billion yen.

Assuming the transaction is settled, it is expected that the Company will transfer Shares to Be Sold by the Company. As a result, the Company’s ownership ratio of Hitachi Metals Shares will decrease from 53.4% to 0%, and Hitachi Metals will be deconsolidated. An expected gain on the sale of Hitachi Metals Shares in the amount of approximately 106.0 billion yen will be recognized in Other income in the consolidated statement of profit or loss for the year ending March 31, 2023. Furthermore, non-controlling interests in Hitachi Metals will decrease approximately 255.0 billion yen in the consolidated statement of changes in equity for the year ending March 31, 2023.

(e) Acquisition of GlobalLogic Inc.

On March 31, 2021, the Company decided to acquire GlobalLogic Inc. (GlobalLogic), a leading U.S.-headquartered digital engineering service company, in order to strengthen the digital portfolio of “Lumada” and the definitive agreement was signed among Hitachi Global Digital Holdings LLC (HGDH) which is a subsidiary located in the U.S., MergeCo H Global Inc. (SPC) which was established by HGDH for the acquisition and GlobalLogic Worldwide Holdings, Inc. (GlobalLogic Worldwide Holdings) which is the parent company of GlobalLogic.

On July 13, 2021, HGDH acquired 100% of the outstanding shares of GlobalLogic Worldwide Holdings and GlobalLogic Worldwide Holdings and GlobalLogic have become wholly owned subsidiaries of the Company, as a result of the transaction, including the merger of SPC with and into GlobalLogic Worldwide Holdings, which is the surviving company.

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

	Millions of yen
Cash and cash equivalents	11,391
Trade receivables and contract assets	30,266
Other current assets	2,692
Non-current assets (excluding intangible assets)	4,324
Intangible assets	
Goodwill (not deductible for tax purposes)	822,173
Other intangible assets	231,130
Total	1,101,976
Current liabilities	134,272
Non-current liabilities	45,454
Total	179,726
Cash paid for the acquisition	922,250

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.
Other intangible assets include the intangible asset representing customer relationships in the amount of 227,424 million yen. The intangible asset representing customer relationships is measured based on assumptions such as revenue growth rates, EBITDA ratios, revenue growth rate for existing customers, attrition rate of existing customers, and discount rate.

Acquisition related costs included in Other expenses in the consolidated statement of profit or loss for the year ended March 31, 2022 were 3,874 million yen.
In addition to this acquisition, Hitachi America Capital, Ltd. which is a subsidiary located in the U.S., repaid 1,074 million U.S. dollars (118,554 million yen) of certain loans owed by GlobalLogic.

The operating results of GlobalLogic for the period from the acquisition date to March 31, 2022 were not material.
On a pro forma basis, revenues and net income using an assumed acquisition date for GlobalLogic of April 1, 2021 would not differ materially from the amounts reported in the consolidated financial statements for the year ended March 31, 2022.

On April 1, 2022, HGDH changed its name to Hitachi Digital LLC.

(f) Reorganization of the Global Home Appliances Business (excluding Japan)

On December 16, 2020, Hitachi Global Life Solutions, Inc. (Hitachi GLS), a consolidated subsidiary of the Company in the Smart Life segment, and Arçelik A.S. (Arçelik) signed a share purchase agreement to establish a new joint venture company.
Based on the agreement, Hitachi GLS established a new company and transferred its global home appliances business outside of Japan into the new company on July 1, 2021, and Hitachi GLS transferred 60% of the shares of common stock of the new company to Arçelik. The consideration is 350 million U.S. dollars (38,797 million yen). As a result, Hitachi GLS’s ownership ratio of shares of the new company decreased from 100% to 40%, and the new company turned into an equity-method associate of the Company.

The following are the main Business Acquisitions and Divestitures for the year ended March 31, 2021.

(a) 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, the Company's subsidiaries and associates in the Smart Life segment to Fujifilm.

The Company transferred all shares of common stock of FUJIFILM Healthcare Corporation (Fujifilm Healthcare) established by the Company to Fujifilm after the Diagnostic Imaging-related Business is succeeded to Fujifilm Healthcare from the Company through an absorption-type company split. The consideration to be received by the Company was 185,349 million yen.

As a result, the Company's ownership ratio of shares of Fujifilm Healthcare decreased from 100% to 0%, and Fujifilm Healthcare was deconsolidated. A gain on the sale of shares of Fujifilm Healthcare in the amount of 118,320 million yen was recognized in Other income in the consolidated statement of profit or loss for the year ended March 31, 2021.

(b) 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 Automotive Systems segment, signed an agreement with Honda Motor Co., Ltd. (Honda), and Keihin Corporation (Keihin), Showa Corporation (Showa), and Nissin Kogyo Co., Ltd (Nissin Kogyo) (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.

On January 1, 2021, HiAMS and the Associates of Honda conducted an absorption-type merger in which HiAMS is the surviving company and each of the Associates of Honda are the disappearing companies, and established Hitachi Astemo, Ltd. (Astemo). As a result, the Company's ownership ratio of shares of Astemo became 66.6% and Astemo turned into a subsidiary of the Company.

The consideration was the common shares of Astemo. The fair value of the consideration was allocated as follows: 88,747 million yen for Keihin, 59,062 million yen for Showa, and 48,242 million yen for Nissin Kogyo. The fair value of the consideration was based on the valuation of HiAMS and the Associates of Honda agreed by the Company and Honda. For the agreement, the Company verified the validity of the valuation by taking into account the results of fair value measurements conducted by third-party valuation specialists and other factors.

In addition to this acquisition, the Company's ownership interest in the former HiAMS decreased from 100% prior to the execution of this acquisition to 66.6%, and the Company recognized increases in capital surplus and non-controlling interests in the amounts of 117,865 million yen and 81,242 million yen, respectively, for the year ended March 31, 2021.

The following table summarizes the fair value of the consideration paid for the Associates of Honda and the amounts of the assets acquired, liabilities assumed, goodwill and non-controlling interests recognized as of the acquisition date.

	Millions of yen
Cash and cash equivalents	158,503
Trade receivables and contract assets	115,185
Inventories	113,033
Other current assets	67,656
Property, plant and equipment	231,139
Intangible assets	
Goodwill (not deductible for tax purposes)	44,698
Other intangible assets	64,216
Other non-current assets	51,661
Total	846,091
Current liabilities	229,550
Long-term debt	273,791
Other non-current liabilities	42,872
Total	546,213
Common shares of Astemo transferred for the acquisition	196,058
Non-controlling interests	103,820
Total	299,878

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.
Non-controlling interests are measured based on the proportionate share of the fair value of the identifiable net assets of the Associates of Honda.

Acquisition related costs of 5,246 million yen have been posted up to the year ended March 31, 2021. Acquisition related costs included in Other expenses in the consolidated statement of profit or loss for the year ended March 31, 2021 were 2,298 million yen.
The operating results of the Associates of Honda for the period from the acquisition date to March 31, 2021 were not material.

Assuming that such acquisition occurred as of April 1, 2020, the results of operations of the Company for the year ended March 31, 2021 (pro forma information not subject to the audit) are as follows:

	Millions of yen
Revenues	9,225,776
EBIT	830,340
Net income	458,931

(c) 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. (MHI) regarding the transfer price adjustment, etc. 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 settlement, it was agreed that all common shares of Mitsubishi Hitachi Power Systems, Ltd. (MHPS) held by the Company would be transferred to MHI, and the Company would pay 130,000 million yen to MHI comprising a settlement payment of 200,000 million yen offset by a consideration of 70,000 million yen in loans receivable to Mitsubishi Hitachi Power Systems Africa Proprietary Limited (MHPS Africa) to be transferred to MHI. Accordingly, the Company recorded other accounts payable of 200,000 million yen related to the settlement payment to MHI and other provision of 273,272 million yen related to the transfer of shares of MHPS. The Company also reversed the provision of 105,041 million yen 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 yen due to the settlement, which is included in Other expenses in the consolidated statement of profit or loss for the year ended March 31, 2020. 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 the loans receivable to MHPS Africa previously included in Investments in securities and other financial assets classified as non-current assets in the consolidated statement of financial position, the total of which was 333,614 million yen, were reclassified to Other current assets in the 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”.

Furthermore, on March 30, 2020, the Company transferred to MHI, the loans receivable to MHPS Africa, and paid 130,000 million yen to MHI comprising the settlement payment offset by the consideration in loans receivable. On September 1, 2020, all shares of MHPS held by the Company, 263,614 million yen, which had been classified as held-for-sale assets, were transferred to MHI, and MHPS ceased to be an associate. Accordingly, the Company reversed other provision of 273,272 million yen related to the transfer of shares of MHPS, which had been included in Other current liabilities in the consolidated statement of financial position. On September 14, 2020, the Company and MHI received a notice from the Japan Commercial Arbitration Association stating that the arbitration was closed.

On September 1, 2020, MHPS changed its name to Mitsubishi Power, Ltd.

(d) Acquisition of ABB's power grids business

On December 17, 2018, the Company decided to acquire the power grid business of ABB Ltd (ABB) and signed an acquisition agreement with ABB in order to strengthen and expand energy solution business globally. Pursuant to this agreement, the Company invested 80.1% in Hitachi ABB Power Grids Ltd (Hitachi ABB Power Grid), which was spun off from ABB, and the acquisition was completed on July 1, 2020. As a result, Hitachi ABB Power Grid became a subsidiary of the Company. The Company has a call option to purchase 19.9% of the shares of Hitachi ABB Power Grid held by ABB, and ABB has a put option to sell 19.9% of the shares of Hitachi ABB Power Grid held by ABB to the Company exercisable after 2023.

The following table summarizes the fair value of the consideration paid for Hitachi ABB Power Grid and the amounts of the assets acquired, liabilities assumed, goodwill and non-controlling interests recognized as of the acquisition date.

	Millions of yen
Cash and cash equivalents	65,466
Trade receivables and contract assets	372,999
Inventories	174,198
Other current assets	63,883
Property, plant and equipment	239,287
Intangible assets	
Goodwill (not deductible for tax purposes)	448,977
Other intangible assets	444,501
Other non-current assets	16,910
Total	1,826,221
Trade payables	199,789
Contract liabilities	140,005
Other current liabilities	215,595
Long-term debt	349,189
Other non-current liabilities	120,332
Total	1,024,910
Cash paid for the acquisition	722,062
Non-controlling interests	79,249
Total	801,311

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.
Other intangible assets include material intangible assets in the amount of 414,544 million yen (customer relationships of 233,989 million yen, technology of 95,987 million yen, order backlog of 53,542 million yen, and brand license agreement of 31,026 million yen). These intangible assets are measured based on assumptions such as revenue growth rates, gross profit ratios, attrition rates of existing customers, royalty rates and discount rates.
Non-controlling interests are measured based on the proportionate share of the fair value of the identifiable net assets of Hitachi ABB Power Grid.

Acquisition related costs of 8,300 million yen have been posted up to the year ended March 31, 2021, and acquisition related costs included in Other expenses in the consolidated statement of profit or loss for the year ended March 31, 2021 were 2,909 million yen.

In addition to this acquisition, the Company repaid 3,000 million U.S. dollars (323,190 million yen) of certain loans owed by Hitachi ABB Power Grid from ABB's subsidiary, ABB Capital B.V., and the repayment is included in Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) under Cash flows from investing activities in the consolidated statement of cash flows for the year ended March 31, 2021.

The results of operations of Hitachi ABB Power Grid from the date of acquisition to March 31, 2021 (prior to elimination of intercompany transactions) included in the consolidated statement of profit or loss are Revenues of 722,351 million yen, EBIT of (32,233) million yen, and Net income of (27,507) million yen. EBIT and Net income include depreciation and amortization of 52,459 million yen on Other intangible assets and PP&E that were recognized as a result of this acquisition.

Assuming that such acquisition occurred as of April 1, 2020, the results of operations of the Company for the year ended March 31, 2021 (pro forma information not subject to the audit) are as follows:

	Millions of yen
Revenues	8,951,675
EBIT	842,077
Net income	508,595

Hitachi ABB Power Grid's historical financial information has been adjusted from U.S. GAAP to IFRS to generate pro forma information. EBIT and Net income include depreciation and amortization of 65,926 million yen on Other intangible assets and PP&E that were recognized as a result of this acquisition.

On June 30, 2021, Hitachi ABB Power Grid changed its name to Hitachi Energy Ltd.

(e) Additional acquisition of shares of Hitachi High-Tech Corporation (Hitachi High-Tech)

On January 31, 2020, the Company decided to conduct a tender offer to acquire all issued shares of Hitachi High-Tech, a consolidated subsidiary of the Company in the Smart Life segment, to establish the measurement and analysis platform to strengthen Lumada. The Company commenced the tender offer on February 17, 2020, and the tender offer was completed on April 6, 2020.

Furthermore, the Company conducted a series of procedures to make Hitachi High-Tech a wholly-owned subsidiary of the Company. As a result, the Company’s ownership ratio of shares of Hitachi High-Tech increased to 100% on May 20, 2020. The total consideration paid was 531,084 million yen, and the Company recognized decreases in capital surplus of 321,627 million yen and non-controlling interest of 209,457 million yen, respectively, for the year ended March 31, 2021.

(f) 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. HC Holdings commenced the tender offer on March 24, 2020, and the tender offer was completed on April 20, 2020. The consideration received by the Company was 495,145 million yen.

As a result, the Company’s ownership ratio of shares of Hitachi Chemical decreased from 51.4% to 0%, and Hitachi Chemical was deconsolidated. A gain on the sale of shares of Hitachi Chemical in the amount of 278,839 million yen was recognized in Other income in the consolidated statement of profit or loss for the year ended March 31, 2021. Furthermore, non-controlling interests in Hitachi Chemical decreased 220,402 million yen in Changes in non-controlling interests in the consolidated statement of changes in equity for the year ended March 31, 2021.

On October 1, 2020, Hitachi Chemical changed its name to Showa Denko Materials Co., Ltd.

(6) Trade Receivables and Contract Assets

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

Millions of yen

	March 31, 2022	March 31, 2021
Accounts receivable	2,210,590	1,948,569
Contract assets	623,766	634,318
Others	143,793	151,589
Total	2,978,149	2,734,476

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) Inventories

The components of inventories are as follows:

Millions of yen

	March 31, 2022	March 31, 2021
Finished goods	713,421	656,527
Semi-finished goods and work in process	772,881	628,039
Raw materials	556,130	368,829
Total	2,042,432	1,653,395

For the years ended March 31, 2022 and 2021, the amounts of inventories expensed and included as cost of sales were 6,398,165 million yen and 5,339,244 million yen, respectively, and the write-downs of inventories were 54,615 million yen and 64,351 million yen, respectively.

(8) Investments Accounted for Using the Equity Method

The aggregated carrying amounts of investments accounted for using the equity method as of March 31, 2022 and 2021, and the Company and certain subsidiaries' share of total comprehensive income of equity-method associates and joint ventures for the years ended March 31, 2022 and 2021 are as follows:

Millions of yen

	Associates		Joint ventures	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Carrying amount of investments	342,190	409,779	69,011	62,326

As of March 31, 2022 and 2021, the Company and certain subsidiaries' interests in certain joint ventures operating at a loss have the cumulative loss exceeding the Company and certain subsidiaries' investments, and thus the negative amounts of 17,067 million yen and 41,258 million yen, respectively, were recognized in Other non-current liabilities.

Millions of yen

	Associates		Joint ventures	
	2022	2021	2022	2021
Income from continuing operations	34,576	30,337	5,909	8,527
Other comprehensive income	9,887	27,259	30,917	33,647
Total comprehensive income	44,463	57,596	36,826	42,174

In addition to the share of Income from continuing operations of equity method associates and joint ventures, impairment losses and reversal of impairment losses on investments accounted for using the equity method were recognized in Share of profit (loss) of investments accounted for using the equity method. The impairment losses recognized in the consolidated statement of profit or loss for the year ended March 31, 2021 were 12,104 million yen. The impairment losses previously recognized on investments accounted for using the equity method were reversed by 17,217 million yen in the year ended March 31, 2021.

(9) Property, Plant and Equipment

The following table shows the changes in the net carrying amounts of property, plant and equipment.

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Other	Construction in progress	Total
Net carrying amount								
March 31, 2020	274,106	675,552	553,148	176,748	267,279	102,129	116,349	2,165,311
Additions	61	5,362	25,937	21,845	107,742	-	198,615	359,562
Transfers between accounts	(439)	56,067	90,838	54,870	(558)	1,567	(202,345)	-
Sales and disposals	(3,175)	(17,707)	(9,600)	(5,194)	(4,298)	(9,646)	(2,086)	(51,706)
Depreciation	-	(51,134)	(117,123)	(64,127)	(92,743)	(18,198)	-	(343,325)
Impairment losses	(4,655)	(11,611)	(46,680)	(4,374)	(6,259)	(71)	(2,619)	(76,269)
Acquisitions and divestitures	11,931	39,388	144,224	(5,766)	18,092	(63)	23,699	231,505
Currency translation effect	4,269	18,573	23,255	4,218	10,064	2,919	4,800	68,098
Other	(3,984)	3,691	174	9,239	4,008	42,915	(332)	55,711
March 31, 2021	278,114	718,181	664,173	187,459	303,327	121,552	136,081	2,408,887
Additions	2,184	8,471	34,213	18,924	98,788	1,879	224,288	388,747
Transfers between accounts	(1,024)	48,107	91,498	40,279	(1,849)	6,439	(183,450)	-
Sales and disposals	(20,441)	(15,460)	(5,441)	(2,814)	(11,634)	(16,676)	(1,907)	(74,373)
Depreciation	-	(55,337)	(137,659)	(67,363)	(98,514)	(21,722)	-	(380,595)
Impairment losses	(3,858)	(2,313)	(5,231)	(1,595)	(3,254)	(46)	(1,093)	(17,390)
Acquisitions and divestitures	(1,497)	(2,597)	(688)	(3,971)	(709)	3,837	(366)	(5,991)
Currency translation effect	3,720	26,462	37,617	5,805	15,324	3,806	10,929	103,663
Other	(806)	(2,447)	852	7,097	10,941	49,405	(9,089)	55,953
March 31, 2022	256,392	723,067	679,334	183,821	312,420	148,474	175,393	2,478,901

The amount of depreciation recognized is included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss. Impairment losses are included in Other expenses in the consolidated statement of profit or loss.

The following table shows the gross carrying amounts and accumulated depreciation and impairment losses of property, plant and equipment.

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Other	Construction in progress	Total
Gross carrying amount								
March 31, 2020	346,566	1,767,093	2,525,387	938,059	535,682	187,168	264,293	6,564,248
March 31, 2021	359,702	1,822,715	2,861,627	996,172	615,323	207,058	305,835	7,168,432
March 31, 2022	329,445	1,852,873	3,024,650	1,001,685	657,010	246,691	353,891	7,466,245
Accumulated depreciation and impairment losses								
March 31, 2020	(72,460)	(1,091,541)	(1,972,239)	(761,311)	(268,403)	(85,039)	(147,944)	(4,398,937)
March 31, 2021	(81,588)	(1,104,534)	(2,197,454)	(808,713)	(311,996)	(85,506)	(169,754)	(4,759,545)
March 31, 2022	(73,053)	(1,129,806)	(2,345,316)	(817,864)	(344,590)	(98,217)	(178,498)	(4,987,344)

Impairment Losses Recognized for the Year Ended March 31, 2022:
The IT segment recognized impairment losses of 4,071 million yen, mainly attributable to determination of disposal of land and other assets relating to the consolidation of bases at a domestic subsidiary in the Services & Platforms business.

The Industry segment recognized impairment losses of 4,406 million yen, mainly attributable to right-of-use assets relating to withdrawal from some businesses in the Industry & Distribution Solutions business.

The Automotive Systems segment recognized impairment losses of 4,362 million yen, mainly attributable to the lower than expected future revenue on business assets of machineries at some of factories of foreign subsidiaries.

Impairment Losses Recognized for the Year Ended March 31, 2021:
The Automotive Systems segment recognized impairment losses of 30,025 million yen, mainly attributable to the lower than expected productivity at some domestic factories consisting of impairment losses on property, plant and equipment of 26,351 million yen relating to business assets of machinery and on other intangible assets of 1,288 million yen. The recoverable amount was determined on the basis of fair value less costs of disposal, which was measured at 10,615 million yen as of December 31, 2020, the date on which impairment losses were recognized. A market approach was used in measuring the fair value of the relevant assets. These fair value measurements were based on real estate appraisal value, and thus classified as Level 3 of fair value hierarchy.

The Hitachi Metals segment recognized impairment losses of 30,469 million yen, mainly attributable to the lower than expected future revenue projected for the magnetic materials business consisting of impairment losses on property, plant and equipment of 10,356 million yen relating to business assets of machinery and on goodwill and other intangible assets of 5,301 million yen. The recoverable amount was determined on the basis of value in use, which was measured at 74,875 million yen as of September 30, 2020, the date on which impairment losses were recognized. The value in use was discounted at 10.1% (before tax), which was derived from the weighted average cost of capital. In addition, mainly attributable to the lower than expected future revenue projected for the aircraft & energy materials business consisting of impairment losses on property, plant and equipment of 12,027 million yen relating to business assets of machinery and on goodwill and other intangible assets of 75 million yen. The recoverable amount was determined on the basis of value in use, which was measured at 16,491 million yen as of March 31, 2021, the date on which impairment losses were recognized. The value in use was discounted at 7.3% (before tax), which was derived from the weighted average cost of capital.

(10) Goodwill and Other Intangible Assets

The following table shows the changes in the net carrying amounts of Goodwill and Other intangible assets.

Millions of yen

	Goodwill	Other intangible assets			
		Software for internal use	Software for sale	Other	Total
Net carrying amount					
March 31, 2020	635,927	98,919	33,860	347,015	479,794
Internal developments	-	7,334	4,123	64,541	75,998
Purchases	-	10,274	132	31,847	42,253
Transfers between accounts	-	63,678	24,029	(87,707)	-
Amortization	-	(43,768)	(21,320)	(81,374)	(146,462)
Impairment losses	(14,293)	(7,611)	(3,463)	(7,820)	(18,894)
Disposals	-	(1,885)	(14)	(1,012)	(2,911)
Acquisitions and divestitures	486,110	6,888	6,873	497,926	511,687
Currency translation effect	53,466	1,053	498	22,254	23,805
Other	-	(112)	101	(429)	(440)
March 31, 2021	1,161,210	134,770	44,819	785,241	964,830
Internal developments	-	20,346	6,102	78,657	105,105
Purchases	-	4,634	126	33,415	38,175
Transfers between accounts	-	44,100	24,600	(68,700)	-
Amortization	-	(46,431)	(22,469)	(88,430)	(157,330)
Impairment losses	(6,117)	(1,744)	(5,750)	(3,940)	(11,434)
Disposals	-	(3,348)	(53)	(780)	(4,181)
Acquisitions and divestitures	824,914	190	116	229,946	230,252
Currency translation effect	173,699	3,481	1,761	87,569	92,811
Other	-	(1,190)	306	(216)	(1,100)
March 31, 2022	2,153,706	154,808	49,558	1,052,762	1,257,128

Other of Other intangible assets includes customer relationships and technology recognized upon business combinations. The net carrying amounts of customer relationships and technology for the year ended March 31, 2022 were 711,653 million yen and 117,172 million yen, and for the year ended March 31, 2021 were 459,211 million yen and 119,567 million yen, respectively. The amount of amortization of customer relationships and technology for the year ended March 31, 2022 were 37,244 million yen and 14,384 million yen, and for the year ended March 31, 2021 were 23,894 million yen and 10,330 million yen, respectively.

The amount of amortization recognized is included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss. Impairment losses are included in Other expenses in the consolidated statement of profit or loss.

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

Millions of yen

	Goodwill	Other intangible assets			
		Software for internal use	Software for sale	Other	Total
Gross carrying amount					
March 31, 2020	689,504	602,425	565,416	707,031	1,874,872
March 31, 2021	1,218,173	650,657	569,118	1,218,584	2,438,359
March 31, 2022	2,210,512	696,925	602,142	1,587,824	2,886,891
Accumulated amortization and impairment losses					
March 31, 2020	(53,577)	(503,506)	(531,556)	(360,016)	(1,395,078)
March 31, 2021	(56,963)	(515,887)	(524,299)	(433,343)	(1,473,529)
March 31, 2022	(56,806)	(542,117)	(552,584)	(535,062)	(1,629,763)

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

Impairment Losses Recognized for the Year Ended March 31, 2022:
The IT segment recognized impairment losses of 16,503 million yen, mainly due to the lower than expected future revenue on goodwill and software for sale as a result of changes in market trends.

Impairment Losses Recognized for the Year Ended March 31, 2021:
The IT segment recognized impairment losses of 12,953 million yen, mainly due to the lower than expected future revenue on software for sale and other intangible assets as a result of changes in market trends.

The Industry segment recognized impairment losses of 10,663 million yen, mainly due to the lower than expected future revenue on goodwill and other intangible assets as a result of changes in market trends.

The carrying amounts of other intangible assets with indefinite useful lives as of March 31, 2022 and 2021 amounted to 23,530 million yen and 17,513 million yen, respectively. The main components of such assets are acquired brands. They are assessed to have indefinite useful lives because there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the entity.

Expenditures on research activities aimed at obtaining new scientific or technical knowledge or understanding are expensed when incurred. Expenditures on development activities for a new or major improvement of production plan or design prior to the beginning of commercial production or use are capitalized as an internally generated intangible asset only when such expenditures attributable to the intangible asset can be reliably measured, it is feasible for the Company to complete the development, and it is highly probable that the Company will obtain the future economic benefit. Otherwise, the expenditures are recognized as an expense when incurred.

The carrying amounts of internally generated other intangible assets (at cost less accumulated amortization and impairment losses) as of March 31, 2022 and 2021 amounted to 260,189 million yen and 208,857 million yen, respectively. These assets are mainly included in software for internal use or software for sale.

Research and development expenditures recognized as an expense for the years ended March 31, 2022 and 2021 were 317,383 million yen and 293,571 million yen, respectively, and they are included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of profit or loss.

The Company tests goodwill acquired through business combinations for impairment by comparing the carrying amount and the recoverable amount per CGU (or group of CGUs).

The following are the group of CGUs with a significant proportion of goodwill allocated for the year ended March 31, 2022.
As of March 31, 2022, the group of CGUs with a significant proportion of goodwill allocated was the power grids business in the Energy segment, and the carrying amount of goodwill allocated to the power grids business was 513,616 million yen. The recoverable amount used for the impairment test of goodwill of the power grids business for the year ended March 31, 2022 was calculated based on the value in use. The value in use was determined using discounted future cash flows based on the business plan and are estimated using significant assumptions including revenue growth rates and gross profit ratios which require management judgements. The business plan reflected past experience based on external information. For the year ended March 31, 2022, cash flows were projected over five years, the discount rates (before tax) used was 10.6%, and the growth rate used was 2.3%.

As of March 31, 2022, the group of CGUs with a significant proportion of goodwill allocated was the Services & Platforms business unit in the IT segment, and the carrying amounts of goodwill allocated to the Services & Platforms business unit was 1,107,575 million yen. The recoverable amount used for the impairment test of goodwill of the Services & Platforms business unit for the year ended March 31, 2022 was calculated based on the fair value less costs of disposal. The fair value less costs of disposal was calculated by the market approach based on EV/EBITDA valuation multiples of similar companies that were comparable to the Services & Platforms business unit. The fair value hierarchy classification was level 3 measured by unobservable inputs.

The following are the group of CGUs with a significant proportion of goodwill allocated for the year ended March 31, 2021.
As of March 31, 2021, the group of CGUs with a significant proportion of goodwill allocated was the power grids business in the Energy segment, and the carrying amount of goodwill allocated to the power grids business was 480,006 million yen. The recoverable amount used for the impairment test of goodwill of the power grids business for the year ended March 31, 2021 was calculated based on the value in use. The value in use was determined using discounted future cash flows based on the business plan and are estimated using significant assumptions including revenue growth rates and gross profit ratios which require management judgements. The business plan reflected past experience based on external information. For the year ended March 31, 2021, cash flows were projected over five years, the discount rates (before tax) used was 10.6%, and the growth rate used was 2.1%.

As of March 31, 2021, the group of CGUs with a significant proportion of goodwill allocated was the System & Service Business Division in the IT segment, and the carrying amounts of goodwill allocated to the System & Service Business Division was 201,001 million yen. The recoverable amount used for the impairment test of goodwill of the System & Service Business Division for the year ended March 31, 2021 was calculated based on the fair value less costs of disposal. The fair value less costs of disposal was calculated by the market approach based on EV/EBITDA valuation multiples of similar companies that were comparable to the System & Service Business Division. The fair value hierarchy classification was level 3 measured by unobservable inputs.

For goodwill allocated to each CGU (or group of CGUs), the Company considers the recoverable amount may be less than the carrying amount if the primary assumptions used in the impairment test of goodwill change significantly.

(11) Leases

(a) Lessee

The Company and certain subsidiaries use leased facilities and equipment, including buildings, machinery and equipment and vehicles.

The following table shows the carrying amount of right-of-use assets at the end of March 31, 2022 and 2021 by class of underlying asset.

Millions of yen

	Class of underlying asset					Total
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Other	
March 31, 2021	205,797	37,992	23,274	35,426	1,139	303,628
March 31, 2022	224,393	32,019	16,094	39,492	1,081	313,079

The following table shows the expenses relating to leases and cash outflow for the years ended March 31, 2022 and 2021.

Millions of yen

	2022	2021
Depreciation for right-of-use assets		
Buildings and structures	76,495	69,406
Machinery and vehicles	12,194	12,558
Tools, furniture and fixtures	7,382	7,866
Land	2,389	2,442
Other	220	702
Total	98,680	92,974
Interest charges on lease liabilities	5,606	4,339
Expense relating to short-term leases, etc.	26,416	21,639
Expenses relating to leases	130,702	118,952

Millions of yen

	2022	2021
Total cash outflow for leases	141,292	123,622

Additions of right-of-use assets for the years ended March 31, 2022 and 2021 are disclosed in note 9.
Maturity analysis of lease liabilities at the end of March 31, 2022 and 2021 are disclosed in note 26.

(b) Lessor

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

The following table shows lease income for the years ended March 31, 2022 and 2021.

Millions of yen

	2022	2021
Lease income from finance leases	1,021	3,058
Lease income from operating leases	55,777	53,046
Total lease income	56,798	56,104

A significant component of lease income from finance leases represents finance income on the net investment in the lease.

(i) Finance leases

The following table shows the maturity analysis of the finance lease payments receivable as of March 31, 2022 and 2021.

Millions of yen

	March 31, 2022	March 31, 2021
Undiscounted lease payments to be received		
Within 1 year	43,007	51,367
After 1 year but not more than 5 years	32,237	43,361
More than 5 years	3,871	5,798
Total	79,115	100,526
Unearned finance income relating to the lease payments receivable	(5,231)	(7,396)
Discounted unguaranteed residual value	-	139
Net investment in finance leases	73,884	93,269

(ii) Operating leases

The following table shows the maturity analysis of the undiscounted operating lease payments to be received as of March 31, 2022 and 2021.

Millions of yen

	March 31, 2022	March 31, 2021
Within 1 year	2,554	4,646
After 1 year but not more than 5 years	3,040	3,597
More than 5 years	178	606
Total	5,772	8,849

(12) Deferred Taxes and Income Taxes

The components of income taxes recognized in the consolidated statement of profit or loss and deferred taxes recognized in the consolidated statement of comprehensive income are as follows:

Millions of yen

	2022	2021
Income taxes		
Current tax expense	158,988	220,305
Deferred tax expense		
Temporary differences originated and reversed	89,603	53,825
Changes in realizability of deferred tax assets	(80,122)	51,117
Total	168,469	325,247
Deferred taxes recognized in OCI		
Net changes in financial assets measured at fair value through OCI	(5,834)	20,382
Remeasurements of defined benefit plans	9,466	27,509
Net changes in cash flow hedges	5,254	1,376
Foreign currency translation adjustments	3,702	2,958
Total	12,588	52,225

The Company and its Japanese subsidiaries were subject to a national corporate tax, an inhabitant tax and business tax, for the years ended March 31, 2022 and 2021, which in the aggregate resulted in a combined statutory income tax rates of approximately 30.5%.

Changes in realizability of deferred tax assets for the year ended March 31, 2022 includes the decrease of 37,136 million yen due to recognition of deferred tax assets mainly for the unused tax loss carryforwards related to the acquisition of GlobalLogic.

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

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

	2022	2021
Combined statutory income tax rate	30.5%	30.5%
Share of (profits) losses of investments accounted for using the equity method	(1.5)	(1.4)
Change in excess amounts over the tax basis of investments in subsidiaries and investments accounted for using the equity method	2.6	(4.8)
Gain or loss on sale of investments in subsidiaries and investments accounted for using the equity method	(0.6)	7.4
Expenses not deductible for tax purposes	0.7	0.6
Impairment of goodwill	0.2	0.5
Change in realizability of deferred tax assets	(9.5)	6.1
Difference in statutory tax rates of foreign subsidiaries	(3.1)	(1.3)
Other, net	0.8	0.9
Effective income tax rate	20.1%	38.5%

Changes in deferred tax assets and liabilities are as follows:

Millions of yen

	March 31, 2022	March 31, 2021
Deferred tax assets, net at beginning of year	10,879	282,998
Recognized in profit or loss	(9,481)	(104,942)
Recognized in OCI	(12,588)	(52,225)
Acquisitions, divestitures and others	(33,707)	(114,952)
Deferred tax assets, net at end of year	(44,897)	10,879

Significant components of the deferred tax assets and liabilities are as follows:

Millions of yen

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	March 31, 2022	March 31, 2021	2022	2021
Deferred tax assets				
Retirement and severance benefits	19,537	44,384	(15,959)	(5,844)
Accrued expenses	142,349	109,697	10,192	(146,585)
Depreciation of property, plant and equipment	5,868	6,476	(4,546)	85
Net operating loss carryforwards	74,316	33,845	24,694	14,614
Net intercompany profits on inventories, P.P.E. and others	25,340	27,090	602	(4,563)
Deferred revenues	17,745	11,982	1,449	(9,361)
Other	61,928	96,326	16,424	(1,206)
Total deferred tax assets	347,083	329,800	32,856	(152,860)
Deferred tax liabilities				
Deferred profit on sale of properties	(6,480)	(7,420)	190	263
Investments in securities	(152,766)	(115,173)	(42,609)	27,427
Intangible assets	(213,715)	(152,682)	14,046	14,417
Other	(19,019)	(43,646)	(13,964)	5,811
Total deferred tax liabilities	(391,980)	(318,921)	(42,337)	47,918
Net deferred tax assets	(44,897)	10,879	(9,481)	(104,942)

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

Millions of yen

	March 31, 2022	March 31, 2021
Other non-current assets	128,347	143,126
Other non-current liabilities	(173,244)	(132,247)
Total	(44,897)	10,879

Deferred tax liabilities are not recognized for excess amounts over the tax basis of investments in subsidiaries and investments accounted for using the equity method that are considered to be reinvested indefinitely, for such differences will unlikely reverse in the foreseeable future. The temporary differences related to undistributed earnings of subsidiaries for which deferred tax liabilities are not recognized were 853,870 million yen and 774,353 million yen, respectively, as of March 31, 2022 and 2021.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. Although realization is not assured, the Company carries out an assessment of the scheduled reversals of deferred tax liabilities and projected future taxable income, including the execution of certain available tax strategies if needed. Based on these factors, the Company considers it is more likely than not it will realize the benefits of these deductible differences as of March 31, 2022.

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

Millions of yen

	March 31, 2022	March 31, 2021
Deductible temporary differences	1,472,491	1,634,738
Net operating loss carryforwards	639,614	675,461
Total	2,112,105	2,310,199

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

Millions of yen

	March 31, 2022	March 31, 2021
Within 5 years	148,530	193,286
After 5 years but not more than 10 years	195,641	211,753
More than 10 years	295,443	270,422
Total	639,614	675,461

(13) Trade Payables

The components of trade payables are as follows:

Millions of yen

	March 31, 2022	March 31, 2021
Accounts payable	1,606,006	1,383,702
Others	148,627	132,252
Total	1,754,633	1,515,954

Others include electronically recorded monetary claims and notes payable.

(14) Provisions

Changes in the balance and components of provisions for the year ended March 31, 2022 are as follows:

Millions of yen

	Asset retirement obligations	Provisions related to restructuring (structural reform)	Product warranty provisions	Provisions for expected losses on construction contracts	Other provisions
March 31, 2021	29,388	19,550	65,795	104,275	126,713
Additions	4,742	8,770	23,499	35,246	32,233
Utilized	(1,579)	(20,662)	(20,461)	(50,555)	(32,717)
Acquisitions and divestitures	(127)	-	(766)	-	(178)
Currency translation effects, and others	261	524	1,580	1,792	6,337
March 31, 2022	32,685	8,182	69,647	90,758	132,388
Current	466	7,948	58,528	89,368	109,603
Non-current	32,219	234	11,119	1,390	22,785

Asset Retirement Obligations

The Company and its subsidiaries recognize asset retirement obligations principally based on the estimated future expenditures using historical experience when the Company and its subsidiaries have a legal or contractual obligation associated with the retirement of tangible fixed assets used in normal operations, such as lease dilapidations of factory facilities and premises.

Provisions Related to Restructuring (Structural Reform)

Provision related to restructuring (structural reform) is recognized when the Company and its subsidiaries have a detailed formal plan for the restructuring of the business or a part of business and have raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected. The provision is recognized based on the estimated amount of direct expenditures attributable to restructuring.

Provisions related to restructuring (structural reform) mainly include special termination benefits for restructuring (structural reform).

Product Warranty Provisions

The Company and its subsidiaries provide warranties for certain products and services. Product warranty provisions are recognized by estimating future expenditures based principally on historical experience of warranty claims.

Provisions for Expected Losses on Construction Contracts

Provisions for expected losses on construction contracts are recognized based on future estimated losses as the Company and its subsidiaries fulfill long-term project requirements.

(15) Employee Benefits

(a) Retirement and Severance Benefits

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

The principal defined benefit pension plan is a corporate pension plan based on the Japanese Defined Benefit Corporate Pension Plan Act (the Act). Additionally, certain corporate pension plans adopt cash balance plans. Benefits under cash balance plans are calculated per each plan participant with a notional account balance, based on the contribution credits per salary level and interest credits based on market interest rate trends.

Pursuant to the Act, the Company has an obligation to make contributions to the Hitachi Pension Fund (the Fund) that manages the corporate pension plans. The directors of the Fund are responsible for faithfully executing operations in compliance with laws and regulations, and any orders issued by the Minister of Health, Labor and Welfare, and the director-generals of Regional Bureaus of Health and Welfare based on laws and regulations, as well as the rules of the Fund and the resolution of the Board of Representatives. The Fund prohibits the directors from acts that constitute conflicts of interests in the management and operation of the funds contributed for benefit payments (the contributions). If breached, the board members are jointly and severally held responsible.

The Fund is legally independent from the Company. The Board of Representatives comprises an equal number of representatives selected by the company and certain subsidiaries and representatives from the employee side. The proceedings of a Board of Representatives are decided by a majority vote of the members attending. In case of a tied vote, the chairman has the power to decide, except for exceptionally significant matters.

The actual management of the contributions is conducted by trustees in accordance with rules approved by the Board of Representatives. The Fund is responsible for managing the contributions to safely and efficiently manage the contributions by establishing the basic management policy of the contributions and preparing the management guidance in line with the policy submitted to the trustees.

The Company has future obligations to make contributions as defined by the Fund. The amount of contribution is periodically reviewed to the extent allowed by law.

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, contributions to the risk-sharing corporate pension plan are determined in advance in accordance with the rules governing the plan, and pension benefits are adjusted annually based on the financial position of the plan to maintain balanced finance.

The risk-sharing corporate pension plan introduced by the Company and Hitachi Industrial Products, Ltd., is a mechanism in which management and labor unions share risks. At the time of the transfer to this system, the employer bears certain risks by making fixed contributions, including contributions to the risk-sharing corporate pension plan, in accordance with agreements between management and labor unions. In the event of a financial imbalance, the plan participants also bear certain risks by adjusting benefits. Under the previous defined benefit pension plan, employers were required to make additional contributions in the event of a funding shortfall. The risk-sharing corporate pension plan, however, measures the risks that may arise in the future, and sets contributions to the risk-sharing corporate pension plan within the scope of the agreement between management and labor unions in advance to balance contributions. The amount equivalent to the contributions made to risk-sharing corporate pension plan determined based on the level of the fiscal deterioration risk, which is calculated at the time of transfer, shall be contributed to the plan on a straight-line basis over five years from the date of transfer, and no additional contributions are required.

In terms of the corresponding accounting treatment for retirement benefits, risk-sharing corporate pension plans, for which an entity accepts contribution obligations to the extent stipulated in the rules but has no further obligations to make any additional contributions, are classified as defined contribution plans. The risk-sharing corporate pension plans managed by the Hitachi Pension Fund impose no additional contribution obligations, so the risk-sharing corporate pension plans are also classified as defined contribution plans. Since the Company and Hitachi Industrial Products, Ltd., shifted to risk-sharing corporate pension plans from defined benefit pension plans on April, 2019, the same has been promoted to the other subsidiaries participating pension plans managed by the Hitachi Pension Fund. Newly 43 subsidiaries have changed their pension plans for current employees from defined benefit pension plans to risk-sharing corporate pension plans on April 1, 2022, and now the revision of Hitachi group pension plans managed by Hitachi Pension Fund has been almost completed. At the time of the shift to the revised plans, the differences between the defined benefit obligations related to the portion transferred to the revised plans and the amount of assets transferred to the revised plans corresponding to the decrease in defined benefit obligations, approximately 44.0 billion yen, will be recognized in Other expenses in the consolidated statement of profit or loss as a settlement loss for the year ending March 31, 2023.

The severance lump-sum payment plans provide a lump-sum payment at the time of retirement, and the benefit is calculated based on factors such as the salary level at retirement and the years of service. The Company and certain subsidiaries have an obligation to pay benefits directly to beneficiaries.

Defined contribution plans require companies to make contributions over a participation period, and plan participants themselves are responsible for the management of plan assets. Benefits are paid by the trustee, and the Company and certain subsidiaries’ responsibility is limited to making contributions.

Changes in the present value of defined benefit obligations and the fair value of plan assets for the years ended March 31, 2022 and 2021 are as follows:

Millions of yen

	March 31, 2022	March 31, 2021
Defined benefit obligations		
At beginning of year	1,934,204	1,836,601
Service cost	64,728	62,903
Interest cost	11,654	11,004
Plan amendments	(523)	(250)
Actuarial losses	(35,223)	41,512
Benefits paid	(100,347)	(104,472)
Acquisitions and divestitures	(3,053)	78,781
Transfer to defined contribution pension plan	(589)	41
Settlements/curtailments	(4,788)	(662)
Effect of shift to risk-sharing corporate pension plan	(10,448)	(4,713)
Currency translation effect	23,817	13,459
At end of year	1,879,432	1,934,204
Fair value of plan assets		
At beginning of year	1,584,799	1,367,906
Interest income	9,542	9,320
Return on plan assets (excluding interest income)	11,456	145,282
Employers' contributions	66,986	64,869
Employees' contributions	2,754	1,439
Benefits paid	(73,796)	(80,427)
Acquisitions and divestitures	(3,569)	69,617
Transfer to defined contribution pension plan	(14)	(6)
Settlements/curtailments	(5,134)	(365)
Effect of shift to risk-sharing corporate pension plan	(10,201)	(4,039)
Currency translation effect	16,143	11,203
At end of year	1,598,966	1,584,799
Effect of asset ceiling	8,692	2,113
Net liability amount recognized in the consolidated statement of financial position	289,158	351,518

The components of actuarial gain or loss are as follows:

Millions of yen

	March 31, 2022	March 31, 2021
Arising from changes in financial assumptions	33,091	(10,548)
Arising from changes in demographic assumptions	(2,799)	(15,414)
Other	4,931	(15,550)

The Company and certain subsidiaries remeasure the defined benefit obligations and plan assets at the end of the fiscal year. The discount rates used in actuarial calculation of defined benefit obligations are as follows:

Percentage

	March 31, 2022	March 31, 2021
Discount rate	0.8	0.6

If, at March 31, 2022, the discount rate rose by 0.5%, the defined benefit obligations would decrease by 96,624 million yen, and if the discount rate decreased by 0.5%, the defined benefit obligations would increase by 109,576 million yen.

The sensitivity analysis is based on an assumption that all other variables other than the one analyzed are held constant; in reality, changes in other assumptions may impact the outcome of the analysis.

The Fund's plan asset management is based on the safe and efficient management of the contributions, diversified investments and determination of the investment ratio that should be sustained over the long term. The Fund seeks to maintain current value of assets sufficient for future obligations. A target rate of return is established to ensure a stable long term rate of return on assets. A diversified investment strategy is carried out while a target asset allocation is established to achieve the target rate of return. The target asset allocation is based on the expected rate of return by each class of asset, the standard deviation of the rate of return and the correlation coefficient among the assets. It is currently approximately 20% in equity, 50% in public and corporate bonds, and 30% in hedge funds, securitization products, life insurance general accounts and other assets. If market values fluctuate exceeding certain levels, the investment ratio is adjusted to the target allocation ratio in order to control risks.

In selecting trustees or asset management companies, the Fund takes into account appropriate quantitative and qualitative evaluations. The Fund also presents its management policies to the trustees or asset management companies, and periodically receives asset management reports.

The fair values of plan assets invested as of March 31, 2022 and 2021 are as follows:

Millions of yen

	March 31, 2022		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity	10,631	339	10,970
Government bonds and municipal debt securities	4,821	1,011	5,832
Corporate bonds and other debt securities	-	13,844	13,844
Hedge funds	-	45,243	45,243
Securitization products	-	44,205	44,205
Cash and cash equivalents	34,279	-	34,279
Life insurance general accounts	-	155,627	155,627
Commingled funds	-	1,255,021	1,255,021
Other	1,869	32,076	33,945
Total	51,600	1,547,366	1,598,966

Millions of yen

	March 31, 2021		
	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity	9,715	320	10,035
Government bonds and municipal debt securities	112,970	1,019	113,989
Corporate bonds and other debt securities	-	14,726	14,726
Hedge funds	-	49,368	49,368
Securitization products	-	46,477	46,477
Cash and cash equivalents	36,378	-	36,378
Life insurance general accounts	-	161,064	161,064
Commingled funds	-	1,102,778	1,102,778
Other	3,890	46,094	49,984
Total	162,953	1,421,846	1,584,799

As of March 31, 2022 and 2021, investments in equity were allocated to approximately 40% in stocks listed in Japan and 60% in stocks listed in foreign markets.

As of March 31, 2022, Japanese government bonds made up approximately 1% of the government bonds and municipal debt securities, the majority of which were Japanese national bonds. As of March 31, 2021, Japanese government bonds made up approximately 95% of the government bonds and municipal debt securities, the majority of which were Japanese national bonds. Foreign public bonds, as of March 31, 2022, took approximately 99%, the majority of which were foreign national bonds, and as of March 31, 2021, foreign public bonds took approximately 5%, the majority of which were foreign national bonds.

As of March 31, 2022, investments in corporate bonds and other debt securities were allocated to approximately 4% in Japanese corporate bonds and debt instruments, and 96% in foreign corporate bonds and debt instruments. As of March 31, 2021, investments in corporate bonds and other debt securities were allocated to approximately 10% in Japanese corporate bonds and debt instruments, and 90% in foreign corporate bonds and debt instruments.

Hedge funds primarily consist of investments in relative value strategy funds, event driven funds, equity long or short funds, and macroeconomic and Commodity Trading Advisor (CTA) funds.

Securitization products primarily consist of investments in equity of Japanese real estate funds, and debt and equity of collateralized loan obligations (CLO).

Commingled funds represent pooled institutional investments. As of March 31, 2022 and 2021, commingled funds were allocated to 30% in listed stocks, 40% in government bonds, 10% in corporate bonds and other debt securities, 10% in cash and cash equivalents and 10% in other assets.

Funding by the Fund is conducted by taking into account various factors such as funded status and actuarial calculations. For the purpose of maintaining balanced finance into the future, the bylaws of the Fund require recalculation of the contribution amounts at the end of fiscal year every five years. Basic assumptions (expected interest rates, mortality rates, withdrawal rate, etc.) are reviewed to recalculate the appropriate level of contribution.

The amount of contributions expected to be paid by the Company and its subsidiaries to the plan assets for the year ending March 31, 2023 is 18,787 million yen.

The weighted average duration (expected average maturity) of defined benefit obligations as of March 31, 2022 and 2021 were 12.1 years and 12.2 years, respectively.

Contributions made to defined contribution plans and expensed in profit or loss in the years ended March 31, 2022 and 2021 were 44,123 million yen and 36,949 million yen, respectively.

In addition, contributions made to the risk-sharing corporate pension plan and expensed in profit or loss in the years ended March 31, 2022 and 2021 were 18,011 million yen and 18,056 million yen, respectively. The amount of the contributions to the risk-sharing corporate pension plan expected to be paid by the Company and its subsidiaries from the year ending March 31, 2023 is 20,299 million yen.

(b) Employee Benefit Expenses

The aggregated amounts of employee benefit expenses including salary recognized in the consolidated statement of profit or loss for the years ended March 31, 2022 and 2021 were 2,742,701 million yen and 2,425,658 million yen, respectively.

(16) Equity

(a) Common Stock

Number of shares

	March 31, 2022	March 31, 2021
Total number of authorized shares	2,000,000,000	2,000,000,000

	Issued shares outstanding (Number of shares)	Capital amount (Millions of yen)
March 31, 2020	967,280,477	459,862
March 31, 2021	967,885,277	460,790
March 31, 2022	968,234,877	461,731

Note: The Company issued new shares as restricted stock compensation, the total number of issued shares increased 604,800 shares on May 27, 2020, and increased 349,600 shares on June 15, 2021, and became 968,234,877 shares.

Shares issued by the Company are non-par value common stock. The issued shares above include treasury stock. The changes in treasury stock for the years ended March 31, 2022 and 2021 are as follows:

	Treasury stock	
	(Number of shares)	(Millions of yen)
March 31, 2020	1,050,741	3,809
Acquisition of treasury stock	136,523	159
Sales of treasury stock	(131,465)	(475)
March 31, 2021	1,055,799	3,493
Acquisition of treasury stock	178,413	251
Sales of treasury stock	(235,491)	(742)
March 31, 2022	998,721	3,002

The number of shares of the Company held by the Company’s associates as of March 31, 2022 and 2021 were 33,200 shares.

(b) Surplus

(i) Capital Surplus

The Companies Act of Japan mandates that at least half of paid-in capital be appropriated as common stock and the rest be appropriated as legal reserve within capital surplus.

The changes in capital surplus include the effect of changes in the Company’s ownership interest in its consolidated subsidiaries. For the year ended March 31, 2021, the changes in capital surplus were mainly due to the decrease of 321,627 million yen in additional acquisition of shares of Hitachi High-Tech by the Company, the increase of 117,865 million yen due to the decrease of the Company’s ownership interest in the former HiAMS from 100% to 66.6% and the decrease of 175,969 million yen due to a put option on non-controlling interests recognized by the Company and its subsidiaries.
For the year ended March 31, 2022, the changes in capital surplus were mainly the decrease due to a put option on non-controlling interests recognized by the Company and its subsidiaries.

(ii) Retained Earnings

The Companies Act of Japan requires that ten percent of retained earnings appropriated for dividends be retained until the total amount of earned reserves included in capital reserve and retained earnings reaches a quarter of the nominal value of common stock. Earned reserves may be available for dividends by resolution at the shareholders’ meeting.

(17) Accumulated Other Comprehensive Income (AOCI) and Other Comprehensive Income (OCI)

Components of AOCI, net of related tax effects, presented in the consolidated statement of changes in equity, and changes in each component for the years ended March 31, 2022 and 2021 are as follows:

Millions of yen

	2022	2021
Foreign currency translation adjustments		
Balance at beginning of year	110,727	(30,686)
OCI, net of reclassification	322,062	133,106
Net transfer of non-controlling interests	11,862	8,307
Balance at end of year	444,651	110,727
Remeasurements of defined benefit plans		
Balance at beginning of year	80,300	1,958
OCI	26,092	80,413
Net transfer of non-controlling interests	264	3,066
Reclassified into retained earnings	(981)	(5,137)
Balance at end of year	105,675	80,300
Net changes in financial assets measured at FVTOCI		
Balance at beginning of year	135,022	66,373
OCI	(11,461)	69,721
Net transfer of non-controlling interests	428	3,227
Reclassified into retained earnings	(13,880)	(4,299)
Balance at end of year	110,109	135,022
Net changes in cash flow hedges		
Balance at beginning of year	(52,488)	(94,715)
OCI, net of reclassification	37,845	53,384
Net transfer of non-controlling interests	-	(71)
Others	(6,529)	(11,086)
Balance at end of year	(21,172)	(52,488)
Total AOCI		
Balance at beginning of year	273,561	(57,070)
OCI, net of reclassification	374,538	336,624
Net transfer of non-controlling interests	12,554	14,529
Reclassified into retained earnings	(14,861)	(9,436)
Others	(6,529)	(11,086)
Balance at end of year	639,263	273,561

The following shows a reconciliation of OCI, including non-controlling interests, to profit or loss items and deferred income tax effect per components of OCI during the years ended March 31, 2022 and 2021.

Millions of yen

	2022		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Foreign currency translation adjustments	396,113	(3,702)	392,411
Remeasurements of defined benefit plans	40,261	(9,466)	30,795
Net changes in financial assets measured at FVTOCI	(17,058)	5,834	(11,224)
Net changes in cash flow hedges	13,426	(5,213)	8,213
Share of OCI of investments accounted for using the equity method	32,730	(2,881)	29,849
Total	465,472	(15,428)	450,044
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	(922)	-	(922)
Net changes in cash flow hedges	0	(41)	(41)
Share of OCI of investments accounted for using the equity method	12,126	(1,171)	10,955
Total	11,204	(1,212)	9,992
OCI, net of reclassification adjustments:			
Foreign currency translation adjustments	395,191	(3,702)	391,489
Remeasurements of defined benefit plans	40,261	(9,466)	30,795
Net changes in financial assets measured at FVTOCI	(17,058)	5,834	(11,224)
Net changes in cash flow hedges	13,426	(5,254)	8,172
Share of OCI of investments accounted for using the equity method	44,856	(4,052)	40,804
Total	476,676	(16,640)	460,036
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Foreign currency translation adjustments			81,063
Remeasurements of defined benefit plans			4,595
Net changes in financial assets measured at FVTOCI			(58)
Net changes in cash flow hedges			(102)
Total			85,498
OCI, net of reclassification adjustments, attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			310,426
Remeasurements of defined benefit plans			26,200
Net changes in financial assets measured at FVTOCI			(11,166)
Net changes in cash flow hedges			8,274
Share of OCI of investments accounted for using the equity method			40,804
Total			374,538

Millions of yen

	2021		
	Before tax	Tax effect	After tax
OCI arising during the year:			
Foreign currency translation adjustments	194,482	(2,937)	191,545
Remeasurements of defined benefit plans	116,245	(27,509)	88,736
Net changes in financial assets measured at FVTOCI	89,744	(20,382)	69,362
Net changes in cash flow hedges	4,635	(755)	3,880
Share of OCI of investments accounted for using the equity method	28,359	(4,815)	23,544
Total	433,465	(56,398)	377,067
Reconciliation of OCI to profit or loss:			
Foreign currency translation adjustments	297	(21)	276
Net changes in cash flow hedges	2,087	(621)	1,466
Share of OCI of investments accounted for using the equity method	45,110	(7,748)	37,362
Total	47,494	(8,390)	39,104
OCI, net of reclassification adjustments:			
Foreign currency translation adjustments	194,779	(2,958)	191,821
Remeasurements of defined benefit plans	116,245	(27,509)	88,736
Net changes in financial assets measured at FVTOCI	89,744	(20,382)	69,362
Net changes in cash flow hedges	6,722	(1,376)	5,346
Share of OCI of investments accounted for using the equity method	73,469	(12,563)	60,906
Total	480,959	(64,788)	416,171
OCI, net of reclassification adjustments, attributable to non-controlling interests:			
Foreign currency translation adjustments			69,439
Remeasurements of defined benefit plans			9,039
Net changes in financial assets measured at FVTOCI			1,076
Net changes in cash flow hedges			(7)
Total			79,547
OCI, net of reclassification adjustments, attributable to Hitachi, Ltd. stockholders:			
Foreign currency translation adjustments			122,382
Remeasurements of defined benefit plans			79,697
Net changes in financial assets measured at FVTOCI			68,286
Net changes in cash flow hedges			5,353
Share of OCI of investments accounted for using the equity method			60,906
Total			336,624

(18) Dividends

Dividends paid on the Company's common stock for the years ended March 31, 2022 and 2021 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on October 27, 2021	58,035	Retained earnings	60.0	September 30, 2021	November 29, 2021
The Board of Directors on May 12, 2021	53,175	Retained earnings	55.0	March 31, 2021	June 2, 2021
The Board of Directors on October 28, 2020	48,342	Retained earnings	50.0	September 30, 2020	November 30, 2020
The Board of Directors on May 13, 2020	48,311	Retained earnings	50.0	March 31, 2020	June 8, 2020

The dividends on the Company's common stock whose record date falls in the year ended March 31, 2022 and the effective date falls in the next fiscal year is as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 13, 2022	62,870	Retained earnings	65.0	March 31, 2022	June 2, 2022

(19) Stock-based Compensation

The Company introduced a restricted stock compensation plan as stock-based compensation in place of the stock option plan and grants shares of restricted stock in place of the existing stock options as stock-based compensation from the year ended March 31, 2020. In addition, the Company introduced a restricted stock unit plan and grants restricted stock units from the year ended March 31, 2021.

Stock-based compensation expenses recognized for the years ended March 31, 2022 and 2021 were 1,404 million yen and 1,031 million yen, respectively.

(a) Restricted stock compensation plan

In accordance with the restricted stock compensation plan (Plan) to be introduced by the Company, Executive Officers and Corporate Officers (Eligible Persons) will receive shares of common stock to be newly issued or disposed by the Company by making contributions in kind of the monetary compensation claims which are granted in order to allot the shares of restricted stock to the Eligible Persons. In addition, with respect to the issuance or disposition of shares of common stock of the Company under the Plan, the Company and each Eligible Person executes an agreement on allotment of restricted stock (Allotment Agreement).

Outline of the Allotment Agreement

(1) Transfer restriction period

From the payment date relating to the issuance or disposition of the shares of restricted stock to the date on which the Eligible Person ceases to be an Executive Officer, Director or Corporate Officer of the Company.

(2) Acquisition by the Company without consideration

If certain events set out in the Allotment Agreement occur, the Company will acquire the shares without any consideration promptly on or after a date notified to Eligible Persons. The Company will also acquire the shares for which the transfer restrictions are definitely not lifted at the time of such determination, without any consideration.

The outlines of issuance for the years ended March 31, 2022 and 2021 are as follows.

	March 31, 2022	March 31, 2021
Issuance date	June 15, 2021	May 27, 2020
Number of shares	332,000 shares	604,800 shares
Issue price per share [1] [2]	5,384 yen	3,067 yen

[1] The issue price for the year ended March 31, 2022 is the closing price per share for the Company’s common stock on May 17, 2021 (preceding business day of the date upon the decision by the President regarding the issuance of new shares) in the first section of the Tokyo Stock Exchange, Inc.

[2] The issue price for the year ended March 31, 2021 is the closing price per share for the Company’s common stock on April 20, 2020 (preceding business day of the date upon the decision by the President regarding the issuance of new shares) in the first section of the Tokyo Stock Exchange, Inc.

(b) Restricted stock unit (RSU) plan

In accordance with the RSU plan to be introduced by the Company, the Company’s non-Japanese Executive Officers and Corporate Officers (Eligible Persons) will be granted restricted stock units (RSUs) corresponding to the number of shares of the Company’s common stock (Shares to be Delivered) set in advance for each eligible person and, over three fiscal years after granting, one-third of the RSUs will become vested after the end of each fiscal year and the Shares to be Delivered and cash for the vested RSUs will be delivered.

The eligible persons will receive shares of common stock to be newly issued or disposed by the Company by making contributions in kind of the monetary compensation claims which are granted after the end of each fiscal year in order to allot the Shares to be Delivered to the eligible persons.

If the eligible persons retire due to expiration of their term of office, death or other legitimate reasons recognized by the Company’s Compensation Committee, they will receive the Shares to be Delivered and cash corresponding to the portion of RSUs granted reflecting the period from the granting date until such retirement.

(c) Stock option plan

Under the Company's stock option plan, Executive Officers and Corporate Officers are granted the right to purchase shares of common stock of the Company (stock acquisition rights).

Details of the Company's stock option plan for the years ended March 31, 2022 and 2021 are as follows.

Fiscal Year of Issuance and Name	Grant Date	Exercise period
Year ended March 31, 2019		
The Third Stock Acquisition Rights of Hitachi, Ltd.	April 11, 2018	From April 27, 2018 to April 26, 2048
Year ended March 31, 2018		
The Second Stock Acquisition Rights of Hitachi, Ltd.	April 6, 2017	From April 27, 2017 to April 26, 2047
Year ended March 31, 2017		
The First Stock Acquisition Rights of Hitachi, Ltd.	June 29, 2016	From July 15, 2016 to July 14, 2046

Conditions for the exercise of stock acquisition rights

(1) During the above exercise period, a holder of stock acquisition rights may exercise all the stock acquisition rights determined in accordance with the provisions of paragraph (2) or (3) below in a lump sum only within ten days (in case the last day is not a business day, the following business day) from the day immediately following the date on which he/she ceases to be an Executive Officer, a Director or a Corporate Officer of the Company.

(2) The number of stock acquisition rights that a holder of stock acquisition rights may exercise, shall be determined based on the ratio of (i) the total shareholder return (TSR) for shares of the Company for three years from the beginning of the fiscal year in which the date of allotment of the stock acquisition rights falls (Waiting Period) to (ii) the growth rate of TOPIX (Tokyo Stock Price Index) for the same period (TSR/TOPIX Growth Rate Ratio): market condition.

(3) The number of stock acquisition rights, that a holder of stock acquisition rights who has left his/her position in the Company before the end of the Waiting Period (Resignee) may exercise, shall be determined by reducing the number of stock acquisition rights allotted to him/her in proportion to the term of office of the Resignee in the Waiting Period, and applying the TSR/TOPIX Growth Rate Ratio for the period from the beginning of the fiscal year in which the date of allotment of the stock acquisition rights falls to the time of resignation in accordance with the provision of paragraph (2) above.

A summary of stock option activity for the years ended March 31, 2022 and 2021 is as follows. The number of stock options is translated into their equivalent number of shares (20 shares per stock option).

	2022		2021	
	Number of shares (shares)	Weighted average exercise price (yen)	Number of shares (shares)	Weighted average exercise price (yen)
Outstanding at beginning of year	731,540	1	890,960	1
Granted	-	-	-	-
Forfeited [1]	(60)	1	(32,860)	1
Exercised	(232,480)	1	(126,560)	1
Expired	-	-	-	-
Outstanding at end of year	499,000	1	731,540	1
Exercisable at end of year	-	-	2,060	1

[1] Including the stock acquisition rights which became non-exercisable because of the market condition.

The weighted average share prices at the date of exercise for the years ended March 31, 2022 and 2021 were 5,358.5 yen and 3,128.0 yen.

The range of exercise price as of March 31, 2022 and 2021 was 1 yen. The weighted average remaining contractual lives of stock options outstanding as of March 31, 2022 and 2021 were 25.2 years and 26.2 years, respectively.

(20) 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, 2021, the Company reclassified its reportable segments. Accordingly, figures for the year ended March 31, 2021 have been restated on the basis of the reclassification. Details of the reclassification are described in note 4.

Millions of yen

2022							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
IT	1,527,657	180,128	231,011	173,764	41,065	625,968	2,153,625
Energy	319,248	329,151	271,105	339,718	188,745	1,128,719	1,447,967
Industry	647,151	88,335	116,584	17,441	31,250	253,610	900,761
Mobility	352,188	641,150	53,085	319,802	59,525	1,073,562	1,425,750
Smart Life	550,613	247,404	94,455	112,656	24,315	478,830	1,029,443
Automotive Systems	455,282	606,321	316,216	130,012	89,887	1,142,436	1,597,718
Hitachi Construction Machinery	216,922	195,722	196,425	162,798	253,094	808,039	1,024,961
Hitachi Metals	402,155	204,913	274,458	42,268	18,907	540,546	942,701
Others	384,058	53,768	6,749	8,076	3,654	72,247	456,305
Subtotal	4,855,274	2,546,892	1,560,088	1,306,535	710,442	6,123,957	10,979,231
Corporate items and Eliminations	(668,197)	(32,049)	(4,946)	(7,122)	(2,315)	(46,432)	(714,629)
Total	4,187,077	2,514,843	1,555,142	1,299,413	708,127	6,077,525	10,264,602

Millions of yen

2021							
	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
IT	1,537,450	167,762	165,763	139,978	37,803	511,306	2,048,756
Energy	338,422	231,266	183,481	227,612	127,205	769,564	1,107,986
Industry	626,743	73,803	98,964	15,294	15,358	203,419	830,162
Mobility	367,158	465,398	50,326	264,786	51,964	832,474	1,199,632
Smart Life	685,272	317,214	106,549	106,455	37,261	567,479	1,252,751
Automotive Systems	340,877	276,119	197,222	110,100	63,265	646,706	987,583
Hitachi Construction Machinery	203,337	191,801	107,175	110,542	200,476	609,994	813,331
Hitachi Metals	342,847	160,875	207,085	35,434	15,374	418,768	761,615
Others	384,071	44,819	8,550	7,852	3,716	64,937	449,008
Subtotal	4,826,177	1,929,057	1,125,115	1,018,053	552,422	4,624,647	9,450,824
Corporate items and Eliminations	(671,359)	(35,437)	(7,561)	(4,566)	(2,705)	(50,269)	(721,628)
Total	4,154,818	1,893,620	1,117,554	1,013,487	549,717	4,574,378	8,729,196

The IT segment consists of Front Business and Services & Platforms, for which revenue amounted to 1,423,010 million yen and 874,663 million yen for the year ended March 31, 2022 and 1,414,239 million yen and 790,258 million yen for the year ended March 31, 2021, respectively (including intersegment transactions). Front Business is operated mainly in Japan, and Services & Platforms is operated mainly in Japan, North America and Europe.

The Company's revenues include revenue recognized based on the pattern of the cost accrual arising from long-term projects. Of the revenue recognized during the fiscal years ended March 31, 2022 and 2021, the amount of revenue recognized based on the pattern of the cost accrual arising from long-term projects was 1,578,613 million yen and 1,389,409 million yen, respectively.

(b) Information about satisfaction of performance obligations

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

(IT)

Front Business primarily provides goods and services such as system integration, consulting and cloud services. These long-term projects provide goods and services according to customers' specifications over a specified period of time, and revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost) or the passage of time as performance obligations are satisfied over time.

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

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. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

(Energy, Industry and Mobility)

The Energy segment includes revenue from businesses such as energy solutions, which are operated mainly in Japan, Asia, Europe, and North America. The Industry segment includes revenue from businesses such as industry & distribution solutions, which 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.

Long-term projects related to contracts such as construction in these segments involve manufacturing and providing goods based on customers' specifications over a specified period of time. As performance obligations are satisfied over time, revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost). In addition, these segments provide certain services promised in the contracts such as maintenance throughout the duration of the contract, and recognize revenue over time based on the passage of time. Many of the contracts require payments based on milestones, and, in some cases, payments are made before performance obligations are satisfied.

Further, in the sale of 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. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

(Other)

In the Smart Life, Automotive Systems, Hitachi Construction Machinery, and Hitachi Metals segments, performance obligations are generally satisfied at a point in time upon completion or upon delivery of the goods, and revenue is recognized when control over goods is transferred to customers. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

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. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

(c) Information about contract balances

The following table shows the beginning and ending balances of Trade receivables, Contract assets and Contract liabilities from contracts with customers for the fiscal years ended March 31, 2022 and 2021.

Millions of yen

	2022		2021	
	March 31, 2022	April 1, 2021	March 31, 2021	April 1, 2020
Trade receivables	2,381,832	2,115,973	2,115,973	1,846,078
Contract assets	665,627	676,524	676,524	484,999
Contract liabilities	1,150,592	1,016,207	1,016,207	707,352

Of the revenue recognized during the fiscal years ended March 31, 2022 and 2021, the amount included in Contract liabilities at the beginning of the fiscal years was 604,800 million yen and 352,608 million yen, respectively. And the amount related to performance obligations satisfied in the past periods was not material.

(d) Transaction price allocated to remaining performance obligations

The following table shows the balance of unsatisfied performance obligations by reportable segment for the fiscal years ended March 31, 2022 and 2021.

Millions of yen

	March 31, 2022		March 31, 2021	
	Intersegment transactions	Balance of unsatisfied performance obligations	Intersegment transactions	Balance of unsatisfied performance obligations
IT	58,982	1,141,343	50,181	1,080,587
Energy	35,271	2,387,468	29,288	1,884,151
Industry	98,942	555,297	89,043	476,109
Mobility	5,785	4,648,813	3,905	4,247,366

Segments of the Company and its subsidiaries that have contracts under which revenue is recognized over a long period of time are primarily the IT segments, Energy segments, Industry segments and Mobility segments.

The estimated timing of unsatisfied performance obligations at the fiscal year ended March 31, 2022 is as follows.
Approximately 90% of the balance of unsatisfied performance obligations of the IT segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.
Approximately 80% of the balance of unsatisfied performance obligations of the Energy segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.
Approximately 90% of the balance of unsatisfied performance obligations of the Industry segment was expected to be satisfied within three years.
Approximately 50% of the balance of unsatisfied performance obligations of the Mobility segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.

The estimated timing of unsatisfied performance obligations at the fiscal year ended March 31, 2021 is as follows.
Approximately 90% of the balance of unsatisfied performance obligations of the IT segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.
Approximately 80% of the balance of unsatisfied performance obligations of the Energy segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.
Approximately 90% of the balance of unsatisfied performance obligations of the Industry segment was expected to be satisfied within three years.
Approximately 50% of the balance of unsatisfied performance obligations of the Mobility segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.

The remaining segments have contracts whose initial expected terms are generally one year or less. Accordingly, related information is excluded from this disclosure in accordance with the practical expedient.

(e) Assets recognized from the costs incurred for obtaining or fulfilling contracts with customers

The Company and its subsidiaries recognize the costs incurred for obtaining or fulfilling contracts with customers as an asset to the extent those costs are expected to be recovered. Such costs recognized as an asset as of March 31, 2022 and 2021 were not material.

(21) Other Income and Expenses

The main components of other income and expenses for the years ended March 31, 2022 and 2021 are as follows:

Millions of yen

	2022	2021
Net gain (loss) on sales and disposals of fixed assets	18,068	16,126
Impairment losses	(35,091)	(109,009)
Net gain (loss) on business reorganization and others	102,135	452,422
Special termination benefits	(8,770)	(19,706)

Impairment losses are mainly recognized on property, plant and equipment, investment properties, goodwill and other 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 years ended March 31, 2022 and 2021 were 43,861 million yen and 128,715 million yen, respectively. Restructuring charges (structural reform expenses) mainly include impairment losses and special termination benefits.

(22) Financial Income and Expenses

The main components of financial income and expenses for the years ended March 31, 2022 and 2021 are as follows:

Millions of yen

	2022	2021
Dividends received	6,454	3,445
Exchange gain (loss)	11,870	9,193

Dividends received for the years ended March 31, 2022 and 2021 are from FVTOCI financial assets.

(23) 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. (currently Mitsubishi Power, Ltd.) for business integration in the thermal power generation systems business with Mitsubishi Heavy Industries, Ltd. but was operated by the Company and certain subsidiaries as discontinued operations in the consolidated statement of profit or loss since the projects were completed in the year ended March 31, 2015.

Profit or loss and cash flows from the discontinued operations for the years ended March 31, 2022 and 2021 are as follows:

Millions of yen

	2022	2021
Profit or loss from discontinued operations		
Revenues	0	7
Cost of sales and expenses	0	(693)
Income (loss) from discontinued operations, before income taxes	0	(686)
Income taxes	-	-
Income (loss) from discontinued operations	0	(686)

Millions of yen

	2022	2021
Cash flows from discontinued operations		
Cash flows from operating activities	0	(611)
Cash flows from investing activities	-	-
Cash flows from financing activities	0	736

(24) Earnings Per Share (EPS) Information

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders are as follows:

Number of shares

	2022	2021
Weighted average number of shares on which basic EPS is calculated	966,413,255	965,965,329
Effect of dilutive securities		
Stock options	512,108	731,540
Restricted stock	715,736	684,997
Restricted stock units	37,232	24,533
Number of shares on which diluted EPS is calculated	967,678,331	967,406,399

Millions of yen

	2022	2021
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	583,470	502,299
Effect of dilutive securities	-	-
Diluted	583,470	502,299
Net income (loss) from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	0	(686)
Effect of dilutive securities	-	-
Diluted	0	(686)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	583,470	501,613
Effect of dilutive securities	-	-
Diluted	583,470	501,613

Yen

	2022	2021
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	603.75	520.00
Diluted	602.96	519.22
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	0.00	(0.71)
Diluted	0.00	(0.71)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	603.75	519.29
Diluted	602.96	518.51

(25) Supplementary Cash Flow Information

Changes in liabilities from financing activities for the years ended March 31, 2022 and 2021 are as follows:

Millions of yen

	Short-term debt	Bonds	Long-term borrowings	Lease liability	Total
March 31, 2020	183,303	385,293	637,648	278,798	1,485,042
Cash flows	199,679	9,991	383,334	(100,346)	492,658
Non-cash changes					
Finance lease liability incurred	-	-	-	111,505	111,505
Acquisitions and divestitures	15,864	(29,878)	250,837	19,386	256,209
Currency translation effect and others	17,789	553	23,790	9,810	51,942
March 31, 2021	416,635	365,959	1,295,609	319,153	2,397,356
Cash flows	653,244	(10,028)	(136,241)	(114,876)	392,099
Non-cash changes					
Finance lease liability incurred	-	-	-	99,175	99,175
Acquisitions and divestitures	118,554	-	2,344	(704)	120,194
Currency translation effect and others	45,686	1,617	46,113	24,472	117,888
March 31, 2022	1,234,119	357,548	1,207,825	327,220	3,126,712

(26) Financial Instruments and Related Disclosures

(a) Capital Management

The Company manages its capital under the policy of maintaining appropriate level of assets, liabilities and capital for current and future business operations, as well as optimizing the efficiency of capital utilization throughout the business operations.

The Company uses the total Hitachi, Ltd. stockholders' equity ratio as an important indicator in capital management and it is regularly monitored. The total Hitachi, Ltd. stockholders' equity ratio as of March 31, 2022 and 2021 were 31.3% and 29.7%, respectively.

The Company is not subject to any capital requirements except for the general rules such as the Japanese Company Law.

(b) Financial Risks

The Company is engaged in business activities world-wide, and constantly exposed to various risks such as market risks (mainly currency exchange risk and interest rate risk), credit risk and liquidity risk. The Company implements risk management policies to avoid or mitigate these financial risks.

(i) Currency Exchange Risk

The Company and its subsidiaries hold assets and liabilities exposed to currency exchange risk. In order to hedge this risk, the management uses forward exchange contracts or cross currency swaps.

For trade receivables and payables denominated in foreign currencies, the Company and its subsidiaries measure the future cash flows per currency on a monthly basis, and enter into forward exchange contracts using a constant ratio with the purpose of fixing the future cash flows arising from receivables and payables and forecasted transactions denominated in foreign currencies. The terms of forward exchange contracts are largely within one year. If necessary, the Company and its subsidiaries establish a risk control policy and a risk management approach specific to each transaction by reviewing the business characteristics, the structure of income and expenditure, and conditions of the contract. The Company and its subsidiaries hedge the risk exposure arising from specific transactions based on the risk control policy and the risk management approach.

To fix cash flows from long-term debt denominated in foreign currencies, the Company and its subsidiaries enter into cross currency swap agreements with the same maturities as the underlying debt. The hedging relationship between the forward exchange contracts or cross currency swaps and the underlying hedged items is highly effective in offsetting the impact from changes in foreign currency exchange rates.

The sensitivity analysis for currency exchange rates shown below indicates the impact on income from continuing operations, before income taxes, in the Company's consolidated statement of profit or loss, if the Japanese yen depreciated by 1% on the foreign-currency-denominated financial instruments held by the Company and its subsidiaries as of March 31, 2022 and 2021, while all other variables are held constant.

Millions of yen

	Currency	2022	2021
Impact on income from continuing operations, before income taxes	US Dollar	2,852	2,559
	Euro	76	101

(ii) Interest Rate Risk

The Company and its subsidiaries are exposed to interest rate risk related principally to long-term debt obligations. In order to minimize this risk, the Company and its subsidiaries enter into interest rate swap agreements to control fluctuation risk of cash flows. The interest rate swaps entered into are mainly receive-variable, pay-fixed interest rate swaps. Under the interest rate swaps, the Company and its subsidiaries receive variable interest rate payments on long-term debt and make fixed interest rate payments, thereby creating fixed interest rate long-term debt.

Certain financing subsidiaries raise funds by issuing long-term debt with a fixed interest rate and lending it at variable interest rates, creating interest rate risk. In order to minimize this risk, interest rate swaps are used to convert, in effect, the fixed rate to a variable rate to manage fluctuations in fair value resulting from interest rate risk. The hedging relationship between the interest rate swaps and the underlying hedged items is highly effective in offsetting the impact from changes in cash flows and fair value resulting from interest rate risk.

The sensitivity analysis for interest rate shown below indicates the impact on income from continuing operations, before income taxes, in the consolidated statement of profit or loss, if interest rates increased by 1% on the financial instruments (floating-interest financial assets and liabilities measured at amortized cost, FVTPL financial assets and liabilities and derivatives) held by the Company and its subsidiaries as of March 31, 2022 and 2021, while all other variables are held constant.

Millions of yen

	2022	2021
Impact on income from continuing operations, before income taxes	(11,722)	(6,394)

(iii) Credit Risk

Trade receivables and contract assets, and other receivables resulting from operating activities of the Company and its subsidiaries are exposed to credit risk of the customers. Investments in debt securities held for managing cash surplus and equity instruments held for strategic purposes are exposed to credit risk of the issuers. Derivative transactions entered into in order to lower market risks are exposed to credit risk of the counter-party financial institutions.

For credit risk of customers, the Company conducts periodic credit checks as appropriate for the products sold and the customers' financial conditions and credit ratings. A credit limit is set according to the credit risk. For cash surplus, investment is restricted to low risk debt securities, and derivative transactions are entered into with financial institutions with high credit rating only.

No significant concentration of credit risk is present in a particular region or a customer, as the Company and its subsidiaries are engaged in diverse industries worldwide.

The changes in the balance of allowance for doubtful receivables for trade receivables, contract assets and other receivables, and the changes in the gross carrying amounts of trade receivables and contract assets, and other receivables corresponding to the allowance for doubtful receivables for the years ended March 31, 2022 and 2021 are as follows. Other receivables mainly consist of lease receivables and financial assets measured at amortized cost such as short-term loans receivable, other accounts receivable, debt securities measured at amortized cost and long-term loans receivable.

Millions of yen

Trade receivables and contract assets	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2020	20,824	18,827	39,651	2,308,035	62,693	2,370,728
Change, net	701	6,245	6,946	(335,456)	(6,714)	(342,170)
Credit-impairment [1]	(27)	27	-	14,778	(14,778)	-
Write-off [2]	(834)	(3,025)	(3,859)	(22,078)	(3,391)	(25,469)
Other [3]	12,569	7,379	19,948	748,100	103,994	852,094
March 31, 2021	33,233	29,453	62,686	2,713,379	141,804	2,855,183
Change, net	3,476	18,907	22,383	246,931	(49,651)	197,280
Credit-impairment [1]	(1,252)	1,252	-	(8,962)	8,962	-
Write-off [2]	(7,934)	(2,534)	(10,468)	(47,996)	(3,069)	(51,065)
Other [3]	1,437	4,907	6,344	117,741	9,265	127,006
March 31, 2022	28,960	51,985	80,945	3,021,093	107,311	3,128,404

Millions of yen

Other receivables	Allowance for doubtful receivables			Gross carrying amount		
	Collective assessment	Individual assessment	Total	Collective assessment	Individual assessment	Total
March 31, 2020	272	4,112	4,384	385,808	16,207	402,015
Change, net	27	1,057	1,084	(155,203)	305	(154,898)
Credit-impairment [1]	-	-	-	(44)	44	-
Write-off [2]	(1)	(1,275)	(1,276)	(1,526)	(1,495)	(3,021)
Other [3]	3	136	139	176,433	20,762	197,195
March 31, 2021	301	4,030	4,331	405,468	35,823	441,291
Change, net	(26)	539	513	56,193	(25,432)	30,761
Credit-impairment [1]	-	-	-	(1,253)	1,253	-
Write-off [2]	(1)	(1)	(2)	(6,980)	(905)	(7,885)
Other [3]	18	165	183	(34,496)	(1,603)	(36,099)
March 31, 2022	292	4,733	5,025	418,932	9,136	428,068

[1] The Company measures the allowance for doubtful receivables relating to credit-impaired financial assets based on individual assessment and, therefore, transfers them from collective assessment.

[2] The Company generally writes off and derecognizes the corresponding carrying amount when it has no reasonable expectations of recovering the financial asset in its entirety or a portion.

[3] Other mainly includes the impact of acquisitions and divestitures and currency translation effect.

The maximum exposure to the credit risk equals the financial assets' carrying amount, net of allowance for doubtful receivables, in the consolidated statement of financial position, if collateral held is not included. The maximum exposure to the credit risk from loan commitments is disclosed in note 30. The maximum exposure to the credit risk from guarantee obligations is disclosed in note 30.

(iv) Liquidity Risk

Trade payables and financial liabilities, such as long-term debts, held by the Company and its subsidiaries are exposed to liquidity risk. With respect to this risk, the Company and its subsidiaries try to optimize capital efficiency through efficient management of working capital, and maintain cash control through a centralized cash management system. They are also able to raise funds, as necessary, from capital markets through the issuance of debt and equity securities, and from commercial banks through borrowings and commitment lines. The total unused commitment lines as of March 31, 2022 are disclosed in note 30.

The following tables present the maturities of non-derivative financial liabilities. Trade payables are not included in the tables since the carrying amounts agree with the contractual cash flows and they all mature in less than one year.

Millions of yen

	March 31, 2022				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Short-term debt	1,234,119	1,236,688	1,236,688	-	-
Long-term debt					
Lease liabilities	327,220	346,010	93,799	177,561	74,650
Bonds	357,548	363,858	119,021	123,449	121,388
Long-term borrowings	1,207,825	1,224,628	134,319	1,060,944	29,365
Other non-current liabilities					
Put options of non-controlling interests	268,851	274,701	-	274,701	-

Millions of yen

	March 31, 2021				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but not more than 5 years	More than 5 years
Short-term debt	416,635	417,993	417,993	-	-
Long-term debt					
Lease liabilities	319,153	335,421	93,270	174,920	67,231
Bonds	365,959	373,650	11,508	179,797	182,345
Long-term borrowings	1,295,609	1,314,067	179,905	825,661	308,501
Other non-current liabilities					
Put options of non-controlling interests	239,218	245,347	-	245,347	-

The weighted average interest rate for short-term debt is 0.6%, and the weighted average interest rate for long-term borrowings is 0.5% with maturities ranging from 2022 to 2039.

The details on each bond issued are provided below.

Millions of yen

Issuer	Name of bond	Issued	March 31, 2022	March 31, 2021	Security	Interest rates (%)	Mature in
The Company	Unsecured debenture #16	2013	30,000	30,000	Unsecured	0.8	2023
The Company	Unsecured debenture #17	2013	20,000	20,000	Unsecured	1.4	2028
The Company	Unsecured debenture #18	2020	90,000	90,000	Unsecured	0.1	2023
The Company	Unsecured debenture #19	2020	20,000	20,000	Unsecured	0.2	2027
The Company	Unsecured debenture #20	2020	90,000	90,000	Unsecured	0.3	2030
Subsidiaries	Unsecured debentures	2014 - 2021	107,548	115,959	Unsecured	0.1 - 2.8	2022 - 2031
Total			357,548	365,959			

The following table shows the maturities of the main types of derivatives, expressed in gross amounts, even though they are net settlement derivatives.

Millions of yen

		March 31, 2022			
		Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Forward exchange contracts	In	4,670	1,684	-	6,354
	Out	19,491	847	-	20,338
Cross currency swaps	In	408	19,916	-	20,324
	Out	783	3,224	-	4,007
Interest rate swaps	In	564	13,772	-	14,336
	Out	79	18	-	97
Option contracts	In	-	-	-	-
	Out	-	-	-	-

Millions of yen

		March 31, 2021			
		Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Forward exchange contracts	In	8,644	3,743	1	12,388
	Out	16,694	3,104	-	19,798
Cross currency swaps	In	6,128	9,375	-	15,503
	Out	2,898	2,330	-	5,228
Interest rate swaps	In	29	276	3,746	4,051
	Out	316	1,140	-	1,456
Option contracts	In	22	87	-	109
	Out	88	-	-	88

(c) Fair Value of Financial Instruments

(i) Fair Value Measurements

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

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

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

Investments in securities and other financial assets

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

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

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

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

Long-term debt

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

Other financial liabilities

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

(ii) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of March 31, 2022 and 2021 are as follows.

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

Millions of yen

	March 31, 2022		March 31, 2021	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets				
Investments in securities and other financial assets				
Lease receivables	70,227	71,648	90,044	91,483
Debt securities	55,057	55,058	55,714	55,716
Long-term loans receivable	1,650	1,650	21,103	22,409
Liabilities				
Long-term debt [1]				
Bonds	357,548	357,468	365,959	367,537
Long-term borrowings	1,207,825	1,207,727	1,295,609	1,296,373

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

(iii) Financial Instruments Measured at Fair Value

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

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

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

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

The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2022 and 2021.

March 31, 2022 Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	1,364	-	17,591	18,955
Debt securities	9,521	4,692	5,686	19,899
Derivatives	-	63,596	-	63,596
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	282,025	2,144	106,041	390,210
Total financial assets at fair value	292,910	70,432	129,318	492,660
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	47,145	-	47,145
Total financial liabilities at fair value	-	47,145	-	47,145

March 31, 2021 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	131	-	9,865	9,996
Debt securities	12,749	4,548	6,054	23,351
Derivatives	-	34,981	87	35,068
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	235,278	977	110,853	347,108
Total financial assets at fair value	248,158	40,506	126,859	415,523
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	26,739	-	26,739
Total financial liabilities at fair value	-	26,739	-	26,739

The following tables present the changes in Level 3 instruments measured on a recurring basis for the years ended March 31, 2022 and 2021.

2022 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of year	120,718	6,054	87	126,859
Gain (loss) in profit or loss [1]	3,830	279	(87)	4,022
Loss in OCI [2]	(1,342)	-	-	(1,342)
Purchases	9,010	567	-	9,577
Sales and redemption	(7,721)	(993)	-	(8,714)
Acquisitions and divestitures	(25)	(239)	-	(264)
Transfer from Level 3 [3]	(1,278)	-	-	(1,278)
Other	440	18	-	458
Balance at end of year	123,632	5,686	-	129,318
Unrealized gain relating to financial assets held at end of year [4]	3,780	294	-	3,987

2021 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of year	112,885	8,617	6,147	127,649
Gain (loss) in profit or loss [1]	541	(415)	1	127
Gain in OCI [2]	2,534	-	-	2,534
Purchases	7,689	450	-	8,139
Sales and redemption	(1,985)	(2,055)	(6,061)	(10,101)
Acquisitions and divestitures	(1,115)	(61)	-	(1,176)
Other	169	(482)	-	(313)
Balance at end of year	120,718	6,054	87	126,859
Unrealized gain (loss) relating to financial assets held at end of year [4]	493	(415)	1	79

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

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

[3] Transfer from Level 3 is mainly due to an investee becoming listed on the stock market.

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

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.

(iv) Other

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

Put options on non-controlling interests of the Company and its subsidiaries are measured at the present value of the exercise price. The carrying amount of the put options above as of March 31, 2022 and 2021 were 268,851 million yen and 239,218 million yen, respectively, included in Other non-current liabilities in the consolidated statement of financial position.

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

March 31, 2022 — Millions of yen

Principal FVTOCI financial assets	Fair value
Mitsubishi HC Capital Inc.	95,577
Renesas Electronics Corporation	88,770
JECC Corporation	21,591
Western Digital Corporation	18,990
Central Japan Railway Company	14,369
Shin-Etsu Chemical Co., Ltd.	12,405
Nippon Steel Kowa Real Estate Co., Ltd.	11,749
Honda Motor Co., Ltd.	6,974
Nippon Tochi-Tatemono Co., Ltd.	5,241
Dalian Hi-Think Computer Technology Corporation	3,849

March 31, 2021 — Millions of yen

Principal FVTOCI financial assets	Fair value
Renesas Electronics Corporation	74,389
Western Digital Corporation	46,187
Honda Motor Co., Ltd.	24,914
JECC Corporation	21,591
Central Japan Railway Company	14,895
Shin-Etsu Chemical Co., Ltd.	12,285
Nippon Steel Kowa Real Estate Co., Ltd.	8,794
East Japan Railway Company	6,368
Dalian Hi-Think Computer Technology Corporation	5,543
Nippon Tochi-Tatemono Co., Ltd.	5,484

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

Accumulated gains and losses on valuation of FVTOCI financial assets are reclassified into retained earnings when derecognized during the fiscal year. The net gains reclassified, net of taxes, for the years ended March 31, 2022 and 2021 were 13,880 million yen and 4,299 million yen, respectively. These financial assets were derecognized upon disposal of shares after reviewing particular business relations, or acquisitions and divestitures.

The information on FVTOCI financial assets that were derecognized for the years ended March 31, 2022 and 2021 is as follows:

Millions of yen

	2022	2021
Fair value at the time of derecognition	80,722	13,550
Accumulated gains at the time of derecognition	22,339	4,464

(d) Derivatives and Hedging Activities

(i) Fair Value Hedge

Changes in the fair value of recognized assets and liabilities, and of derivatives designated as a fair value hedge of these assets and liabilities are recognized in profit or loss for the period in which the changes occur. Derivatives designated as a fair value hedge include forward exchange contracts associated with operating transactions, cross currency swaps agreements and interest rate swaps associated with financing transactions.

(ii) Cash Flow Hedge

Foreign Currency Risk

A portion determined as an effective hedge with respect to changes in the fair value of forward exchange contracts designated as an effective cash flow hedge of forecasted foreign-currency-denominated transactions are recognized in OCI. AOCI is subsequently reclassified into profit or loss when the hedged items affect profit or loss for the period. If a non-financial asset or a non-financial liability is recognized due to a hedged forecast transaction, the changes in the fair value of the derivative recognized in OCI are included directly in the acquisition cost or other carrying amount of the asset or liability at which point the asset or liability is recognized.

Interest Rate Risk

A portion determined as an effective hedge with respect to changes in the fair value of interest rate swaps designated as a hedge of the variability of cash flows associated with long-term debt are recognized in OCI. AOCI is subsequently reclassified to interest charges over the period in which the interest on the debt affects profit or loss.

When applying hedge accounting, the Company assesses hedge effectiveness through a qualitative assessment of whether the critical terms of the hedged item and the hedging instrument match or are closely aligned and whether changes in the fair value or cash flows of the hedging instrument offset changes in the fair value or cash flows of the hedged item in order to confirm that an economic relationship exists between the hedged item and the hedging instrument. The Company also sets appropriate hedge ratios based on the economic relationship between the hedged item and the hedging instrument and the Company's risk management policies. For the years ended March 31, 2022 and 2021, hedge ineffectiveness recognized in profit or loss were not material.

The notional amounts and carrying amounts of hedging instruments as of March 31, 2022 and 2021 are as follows. The carrying amount of hedging instruments is included in Investments in securities and other financial assets and Other financial liabilities or Other non-current liabilities in the consolidated statement of financial position.

March 31, 2022 — Millions of yen

Hedging instruments	Notional amount		Carrying amount	
		More than 1 year	Assets	Liabilities
Fair value hedge				
Foreign currency risk	363,354	75,154	17,670	12,552
Interest rate risk	93,271	38,071	1,137	70
Cash flow hedge				
Foreign currency risk	313,575	163,392	4,538	6,990
Interest rate risk	179,107	159,107	13,199	10
Total	949,307	435,724	36,544	19,622

March 31, 2021 — Millions of yen

Hedging instruments	Notional amount		Carrying amount	
		More than 1 year	Assets	Liabilities
Fair value hedge				
Foreign currency risk	299,371	93,418	8,625	6,926
Interest rate risk	47,854	41,201	276	1,063
Cash flow hedge				
Foreign currency risk	313,298	106,964	3,632	4,691
Interest rate risk	249,488	163,923	3,775	393
Total	910,011	405,506	16,308	13,073

The carrying amounts of hedged items related to fair value hedges as of March 31, 2022 and 2021 are as follows.

March 31, 2022 Millions of yen

Hedged items related to fair value hedges	Recognized in statement of financial position	Carrying amount	
		Assets	Liabilities
Foreign currency risk	Trade receivables and contract assets, Investments in securities and other financial assets, Short-term debt, Trade payables and Long-term debt	231,838	131,516
Interest rate risk	Investments in securities and other financial assets, Current portion of long-term debt	75,524	17,747
Total		307,362	149,263

March 31, 2021 Millions of yen

Hedged items related to fair value hedges	Recognized in statement of financial position	Carrying amount	
		Assets	Liabilities
Foreign currency risk	Trade receivables and contract assets, Investments in securities and other financial assets, Short-term debt, Trade payables and Long-term debt	167,779	131,592
Interest rate risk	Investments in securities and other financial assets, Long-term debt	31,801	16,053
Total		199,580	147,645

For the years ended March 31, 2022 and 2021, changes in the fair value of hedging instruments and hedged items related to fair value hedges and the accumulated amount of fair value hedge adjustments on hedged items included in the carrying amount of the hedged items were not material.

For the years ended March 31, 2022 and 2021, changes in the fair value of hedging instruments related to cash flow hedges recorded in Accumulated other comprehensive income are as follows.

Millions of yen

	April 1, 2021	Changes in fair value of hedging instruments recognized in other comprehensive income	Amount directly included in carrying amount of hedged assets or liabilities	Amount reclassified to profit or loss [1]	March 31, 2022
Price risk	-	-	-	-	-
Foreign currency risk	(2,209)	3,679	(9,312)	(97)	(7,939)
Interest rate risk	3,336	9,747	-	97	13,180
Total	1,127	13,426	(9,312)	0	5,241

Millions of yen

	April 1, 2020	Changes in fair value of hedging instruments recognized in other comprehensive income	Amount directly included in carrying amount of hedged assets or liabilities	Amount reclassified to profit or loss [1]	March 31, 2021
Price risk	(572)	-	-	572	-
Foreign currency risk	12,078	208	(15,957)	1,462	(2,209)
Interest rate risk	(1,144)	4,427	-	53	3,336
Total	10,362	4,635	(15,957)	2,087	1,127

[1] In the consolidated statement of profit or loss, the amount reclassified to profit or loss is included mainly in Revenues and Financial expenses for hedges of foreign currency risk and mainly in Interest charges for hedges of interest rate risk.

(e) Securitization of Financial Assets

For the purpose of providing diversified and stable financing, the Company and certain subsidiaries securitize certain financial assets, and transfer trade and lease receivables through certain third-party financial institutions or structured entities formed by these financial institutions. The Company does not consolidate such structured entities used for securitization purposes since it has been determined that they are not controlled by the Company.

These unconsolidated structured entities used for securitization purposes are operated in the ordinary course of business of the financial institutions, and they procure funds by issuing commercial paper and other borrowings. Basically, investors in these structured entities only have recourse to the assets owned by the entity itself, but not to any other assets held by the Company or its subsidiaries. The amount of assets transferred by the Company and certain subsidiaries is considerably small compared to the total assets of the structured entities sponsored by the financial institutions that purchase a large amount of assets from entities other than the Company and certain subsidiaries. The Company and certain subsidiaries have only limited exposure to the risks borne by these structured entities. The majority of the involvement with these structured entities used for securitization purposes by the Company and certain subsidiaries concerns the servicing of assets. The Company and certain subsidiaries do not provide any non-contractual support to the structured entities and have not made any implicit support arrangements with them.

For the securitizations of financial assets by the Company and certain subsidiaries, which resulted in derecognizing the financial assets in their entirety, the Company and certain subsidiaries retain no significant continuing involvement. For other securitizations of financial assets, the Company and certain subsidiaries do not derecognize the financial assets in their entirety when they retain substantially all credit risks and economic value related to the transferred financial assets through holding subordinated interests, and the carrying amounts of these financial assets are not material.

(27) Pledged Assets

As a general contractual term for long-term and short-term debt, banks may demand collateral and guarantees for present and future obligations, and retain rights to offset the liabilities with bank deposits when repayment is overdue or any breach of contract occurs.

Per trustee agreements of secured bonds and particular secured or unsecured loan agreements, trustees or lenders generally have the right to pre-approve profit distributions including dividend payments and new stock issues, as well as the right to demand additional collateral or mortgage.

The Company and its subsidiaries pledged a portion of their assets as collateral primarily for bank loans as follows:

Millions of yen

	March 31, 2022	March 31, 2021
Trade receivables and contract assets	7,205	4,990
Inventories	12,529	9,103
Investments in securities and other financial assets	327	333
Land	1,951	1,777
Buildings and structures	5	50
Machinery and other property, plant and equipment	62,717	59,272
Total	84,734	75,525

(28) Principal Subsidiaries

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

Reporting segment	Name of subsidiary	Business location	Ownership percentage of voting rights (%)
IT	Hitachi Information & Telecommunication Engineering, Ltd.	Yokohama, Kanagawa	100.0
IT	Hitachi Channel Solutions, Corp.	Shinagawa-ku, Tokyo	100.0
IT	Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	100.0
IT	Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	100.0
IT	GlobalLogic Worldwide Holdings, Inc.	California, U.S.A.	100.0
IT	Hitachi Computer Products (America), Inc.	Oklahoma, U.S.A.	100.0
IT	Hitachi Global Digital Holdings LLC	California, U.S.A.	100.0
IT	Hitachi Payment Services Private Limited	Chennai, India	100.0
IT	Hitachi Vantara LLC	California, U.S.A.	100.0
Energy	Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	80.0
Energy	Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	100.0
Energy	Hitachi Power Semiconductor Device, Ltd.	Hitachi, Ibaraki	100.0
Energy	Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	100.0
Energy	Hitachi Energy Ltd	Zurich, Switzerland	80.1
Industry	Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Industry	Hitachi Industrial Products, Ltd.	Chiyoda-ku, Tokyo	100.0
Industry	Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki	100.0
Industry	Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	100.0
Industry	Hitachi Industrial Holdings Americas, Inc.	Illinois, U.S.A.	100.0
Industry	JR Technology Group, LLC	Michigan, U.S.A.	100.0
Industry	Sullair, LLC	Indiana, U.S.A.	100.0

Reporting segment	Name of subsidiary	Business location	Ownership percentage of voting rights (%)
Mobility	Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Mobility	Hitachi Elevator (China) Co., Ltd.	Guangzhou, China	70.0
Mobility	Hitachi Rail Ltd.	London, U.K.	100.0
Smart Life	Hitachi Global Life Solutions, Inc.	Minato-ku, Tokyo	100.0
Smart Life	Hitachi High-Tech Corporation	Minato-ku, Tokyo	100.0
Automotive Systems	Hitachi Astemo, Ltd.	Hitachinaka, Ibaraki	66.6
Automotive Systems	Hitachi Astemo Americas, Inc.	Kentucky, U.S.A.	100.0
Hitachi Construction Machinery	Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo	51.5
Hitachi Metals	Hitachi Metals, Ltd.	Minato-ku, Tokyo	53.4
Others	Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo	51.0
Others	Hitachi Real Estate Partners, Ltd.	Chiyoda-ku, Tokyo	100.0
Others	Hitachi America, Ltd.	California, U.S.A.	100.0
Others	Hitachi Asia Ltd.	Singapore	100.0
Others	Hitachi (China), Ltd.	Beijing, China	100.0
Others	Hitachi Europe Ltd.	Stoke Poges, U.K.	100.0
Others	Hitachi India Pvt. Ltd.	New Delhi, India	100.0
-	Other 816 companies	-	-

(29) Related Party Transactions

(a) Related Party Transactions

The Company's and its subsidiaries' receivable and payable balances with associates and joint ventures are as follows:

Millions of yen

With associates	March 31, 2022	March 31, 2021
Trade receivables and contract assets	42,146	82,866
Trade payables	49,997	60,305
Lease obligations [1]	50	33,431

Millions of yen

With joint ventures	March 31, 2022	March 31, 2021
Trade receivables and contract assets	35,160	26,089
Long-term loans receivable [2]	-	14,765

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

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

Millions of yen

With associates	2022	2021
Revenues	232,811	346,630
Purchases	267,364	276,551

Millions of yen

With joint ventures	2022	2021
Revenues	56,969	49,911
Purchases	9,035	9,482

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

Millions of yen

	2022	2021
Basic remuneration, year-end allowance and performance-linked compensation	3,221	3,481
Medium and long-term incentive compensation (Stock options as stock-based compensation, etc.)	1,195	871
Total	4,417	4,353

(30) Commitments and Contingencies

(a) Loan Commitments

(i) Loan Commitments to Associates and Others

The Company provides loan commitments to associates and others. The outstanding balance of loan commitments as of March 31, 2022 is as follows:

Millions of yen

	March 31, 2022
Total commitments available	130
Less amount utilized	-
Balance available	130

Since some loan commitments require credit approval before execution, the amount of total commitments available may not be necessarily utilized in full.

(ii) Commitments with Financial Institutions

The Company and certain subsidiaries have line of credit arrangements with banks in order to secure efficient financing for business operations. The total unused line of credit as of March 31, 2022 amounted to 631,960 million yen, primarily belonging to the Company. The Company has commitment line agreements with a number of banks and pays commitment fees as consideration. These commitment agreements generally provide a one year term with renewal at the end of the term. The unused line of credit under these arrangements as of March 31, 2022 amounted to 336,717 million yen. The Company also maintains other commitment line agreements with several financial institutions, with terms of three years ending in July 2022. The unused line of credit under these arrangements as of March 31, 2022 amounted to 200,000 million yen.

(b) Commitments for Acquisition of Assets

As of March 31, 2022, outstanding commitments made to purchase property, plant and equipment were 77,812 million yen.

(c) Guarantee Obligations

The Company and certain subsidiaries provide debt guarantees to their associates, joint ventures and third parties. As of March 31, 2022, the balance of the guarantee obligations was 73,862 million yen. It consisted of guarantees to associates of 59,185 million yen, to joint ventures of 1,764 million yen and to third parties of 12,913 million yen.

(d) Litigation

In November 2017, a subsidiary in Japan received a complaint that was filed against three companies, namely a construction company of a condominium complex, the subsidiary and a secondary subcontractor, by a contractee in Japan seeking approximately 45.9 billion yen in compensation for expenses allegedly incurred arising from concerns over partial deficiencies of piling work during the construction phases of the condominium complex, which the subsidiary contracted as the primary subcontractor. In July 2018, the compensation claim against these three companies was amended to approximately 51.0 billion yen by the contractee.

In relation to the aforementioned lawsuit, in April 2018, the subsidiary in Japan received a complaint that was filed against the subsidiary and the secondary subcontractor, by the construction company of the condominium complex seeking approximately 49.6 billion yen in compensation for expenses allegedly incurred arising from the aforementioned lawsuit. In July 2018, the compensation claim against these two companies was amended to approximately 54.8 billion yen by the construction company of the condominium complex. Although the subsidiary in Japan will address these claims and explain its position, there can be no assurance that it will not be held liable for any amounts claimed.

In December 2017, a subsidiary in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of 263 million euro (35,958 million yen) and interest allegedly incurred by performance defects of a power plant. As of March 31, 2022, the amount of compensation claimed by the customer was changed to 270 million euro (36,914 million yen). Although the subsidiary in Europe will vigorously defend itself against this lawsuit, there can be no assurance that it will not be held liable for any amounts claimed.

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

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

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

(31) Subsequent Events

(a) Repurchase of Shares of Common Stock

The Board of Directors decided to repurchase shares of its own common stock pursuant to Article 459, Paragraph 1 of the Companies Act of Japan and Article 32 of the Company's Articles of Incorporation, as follows.

(i) Reason for repurchase

The Company views the return of profits to shareholders through enhancing corporate value from a mid- and long-term perspective and paying dividends continuously as an important managerial issue. The Company has decided to repurchase its own shares this time, taking into consideration its financial condition and the price of its common stock as well as the progress of the review of the business portfolio.

(ii) Outline of the Repurchase

1) Class of shares to be repurchased
   Common stock of the Company
2) Aggregate number of shares to be repurchased
   Up to 50 million shares
   (5.17% of the number of outstanding shares (excluding treasury stocks))
3) Aggregate amount of repurchase
   Up to 200 billion yen
4) Period of the repurchase
   From May 2, 2022 to March 31, 2023
5) Method of repurchase
   Expected open market purchase through the Tokyo Stock Exchange

(32) Approval of Consolidated Financial Statements

The consolidated financial statements were approved on June 22, 2022 by Keiji Kojima, President and CEO of the Company.

Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Hitachi, Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of intangible asset recognized in the acquisition of GlobalLogic Inc.

Description of Key Audit Matter

The Company acquired GlobalLogic Inc. as a wholly owned subsidiary on July 13, 2021.

The Company recognized an intangible asset representing customer relationships in the amount of 227,424 million yen as a result of measuring the identifiable assets acquired and liabilities assumed (See Note (5) Business Acquisitions and Divestitures, (b) Acquisition of GlobalLogic Inc.).

The measurement of this intangible asset representing customer relationships is determined based on discounted future cash flows expected to be generated by the asset and is affected by estimates of future cash flows and the discount rate. Future cash flows are estimated using significant assumptions, including revenue growth rates, EBITDA ratios, revenue growth rate for existing customers and attrition rate of existing customers, which all require management judgements.

We determined that the measurement of the intangible asset is a key audit matter because of the significance of the balance of the intangible asset and the significant impact on the consolidated financial statements from the management judgement related to the significant assumptions.

Auditor's Response

We primarily performed the following procedures regarding the measurement of the intangible asset.

- We obtained an understanding of the details and objectives of the transaction by examining related materials such as the acquisition agreement and making inquiries of management.
- We involved valuation specialists from a network firm in assessing the valuation methods of the intangible asset, significant assumptions used in the estimation of future cash flows, and the discount rate.
- We performed following procedures related to significant assumptions used in the estimation of future cash flows.
  - We made inquiries of management about measures to achieve the revenue growth rates and EBITDA ratios, and compared the assumptions with actual operating results and available external data such as market research reports related to market growth rates.
  - We analyzed customer sales trends over the past four years, made inquiries of management and compared the revenue growth rate for existing customers and attrition rate of existing customers with actual results after the acquisition.
- We also made inquiries of management about the risks reflected in the discount rate, evaluating the consistency with the risks reflected in future cash flows.

Measurement of recoverable amount of group of cash-generating units containing goodwill related to the power grid business

Description of Key Audit Matter

The Company recognized goodwill in the amount of 513,616 million yen related to the power grid business (See Note (10) Goodwill and Other Intangible Assets). Such goodwill represents 23% of total goodwill and 3% of total assets of the Group.

The Company measured the recoverable amount based on value in use in the impairment test of the group of cash-generating units containing the goodwill. Value in use is determined using discounted future cash flows and is affected by estimates of future cash flows and the discount rate. Future cash flows are based on the business plan and are estimated using significant assumptions including revenue growth rates and gross profit ratios, which all require management judgements.

We determined that the measurement of the recoverable amount is a key audit matter because of the significance of the balance of goodwill and the significant impact on the consolidated financial statements from the management judgement related to the significant assumptions.

Auditor's Response

We primarily performed the following procedures regarding the measurement of the recoverable amount of the group of cash-generating units containing the goodwill.

- We obtained an understanding of the business plan by examining related business planning materials.
- We assessed the effectiveness of the business planning process by comparing the business plan from the prior fiscal year with the corresponding operating results and the business plan at the time of the impairment test.
- We involved valuation specialists from a network firm in assessing the valuation method of value in use, significant assumptions used in the estimation of future cash flows, and the discount rate.
- We made inquiries of management about measures to achieve the business plan and compared revenue growth rates and gross profit ratios with actual operating results and available external data such as market research reports related to market growth rates.
- We made inquiries of management about the risks reflected in the discount rate, evaluating the consistency with the risks reflected in future cash flows.
- We performed sensitivity analyses assuming reasonably possible changes in significant assumptions, assessing the effect on the recoverable amount.

Estimation of total cost of long-term projects

Description of Key Audit Matter

The Group has long-term projects involving the manufacture and provision of goods in accordance with customer specifications that are completed over specified periods of time to customers in a broad range of business areas across the world.

The Group recognizes revenues from long-term projects in the amount of 1,578,613 million yen by measuring the progress of the project mostly based on the cost incurred relative to the estimated total cost to satisfy the performance obligations (See Note (20) Revenues, (a) Disaggregation of revenue, (b) Information about satisfaction of performance obligations). Furthermore, the Group recognizes provisions for expected losses on construction contracts in the amount of 90,758 million yen based on the estimated amount of losses associated with fulfilling the project requirements (See Note (14) Provisions).

Estimations of total cost of long-term projects affect the corresponding amounts of revenues and provisions. Each of the Group's long-term projects is distinct in terms of customer requirements, such as detailed specifications and scheduling, and therefore estimations of total cost depend on management judgement. Estimations of total cost are particularly complex in relation to large-scale projects.

We determined that the estimation of total cost of long-term projects is a key audit matter because auditing estimations of total cost of long-term projects requires consideration of various factors affecting such estimations corresponding to each project as a result of the nature of the Group's long-term projects.

Auditor's Response

We obtained an understanding of the project management systems utilized by the Group as well as its processes for estimating total cost, and tested the relevant internal controls, including the approval of initial and revised operating budgets that serve as the basis of estimating total cost.

We selected samples of long-term projects, such as those projects whose total contract value exceeded certain materiality thresholds and projects subject to various qualitative risks, including delays in the progress of the project, and, on a quarterly basis, performed selected procedures from the following considering the status of each project:

- We obtained an understanding of the significant factors influencing the estimates related to customer specifications on goods and the timing of delivery and the effects of estimation uncertainty inherent in those significant factors influencing the estimates by examining contracts and project management materials and making inquiries of management and compared specific line items in the estimated total cost with corresponding quotations from suppliers.
- We assessed the management's judgements on the necessity of revising estimates of total cost considering the status of each project based on inquiries of management and by examining project management materials.
- We assessed the effectiveness of the processes for estimating total cost by comparing initial and previous period estimates with the actual total cost for completed projects and previous period estimates with the latest estimates for projects in progress.

We additionally made separate inquiries to project managers for projects that were considered particularly significant to corroborate management explanations of their status.

Other Information

The other information comprises the information included in the annual report (Yukashoken Hokokusho) that contains audited consolidated financial statements but does not include the consolidated financial statements, financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. The Audit Committee is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 22, 2022

Koji Fujima
Designated Engagement Partner
Certified Public Accountant

Yasuhiro Ozeki
Designated Engagement Partner
Certified Public Accountant

Shinya Yoshida
Designated Engagement Partner
Certified Public Accountant

(Translation)

Following is an English translation of the Internal Control Report filed under the Financial Instruments and Exchange Act of Japan. We have made the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

[Cover]

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 22, 2022
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Name and title of Representative]	Keiji Kojima, President & CEO
[Name and title of CFO]	Yoshihiko Kawamura, Executive Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

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

Mr. Keiji Kojima, President & CEO, and Mr. Yoshihiko Kawamura, Executive Vice President and Executive Officer, are responsible for establishing and maintaining internal control over financial reporting of Hitachi, Ltd. (the "Company") and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

2. Matters Related to Scope of Assessment, Record Date, and Assessment Procedure

We assessed the effectiveness of our internal control over financial reporting on the record date as of March 31, 2022. We made this assessment in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In making this assessment, we evaluated internal control which may have a material effect on the entire financial reporting on a consolidated basis ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of our internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries, equity-method associates and joint ventures, from the perspective of the materiality that may affect the reliability of our financial reporting. The materiality that may affect the reliability of our financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company, its consolidated subsidiaries, equity-method associates and joint ventures. We did not include a part of consolidated subsidiaries, equity-method associates and joint ventures which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business units in descending order of total revenues (after elimination of intercompany transactions) for the previous fiscal year, and those business units whose combined amount of revenues reaches approximately 80% of total revenues on a consolidated basis were selected as "significant business units." In addition, some of our equity-method associates and joint ventures which have a significant effect to our consolidated financial statements were selected as "significant business units." At the selected significant business units, we included, in the scope of assessment, those business processes leading to revenues, accounts receivables and inventories and those business processes relating to greater likelihood of material misstatements and significant account involving estimates or forecasts as significant accounts that may have a material impact on our business objectives. Further, not only at selected significant business units, but also at other business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Related to Results of Assessment

As a result of the assessment above, we concluded that our internal control over financial reporting was effective as of March 31, 2022.

4. Supplementary Matters

None.

5. Special Notes

None.

TRANSLATION

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting under the Financial Instruments and Exchange Act and an audit of internal control over financial reporting under the attestation standards established by the American Institute of Certified Public Accountants.
In an audit of internal control over financial reporting under the Financial Instruments and Exchange Act, the auditors express an opinion on management's report on internal control over financial reporting, and do not express an opinion on the Company's internal control over financial reporting taken as a whole.

Independent Auditor's Report
(filed under the Financial Instruments and Exchange Act of Japan)

June 22, 2022

Mr. Keiji Kojima, President & CEO
Hitachi, Ltd.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Designated Engagement Partner, Certified Public Accountant:	Koji Fujima
Designated Engagement Partner, Certified Public Accountant:	Yasuhiro Ozeki
Designated Engagement Partner, Certified Public Accountant:	Shinya Yoshida

[Financial Statements Audit]

Opinion
Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements of Hitachi, Ltd. and its consolidated subsidiaries (the Group) applicable to the fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position, results of operations and cash flows of the Group applicable to the fiscal year ended March 31, 2022, in accordance with International Financial Reporting Standards (IFRSs) under Article 93 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of intangible asset recognized in the acquisition of GlobalLogic Inc.

Description of Key Audit Matter

The Company acquired GlobalLogic Inc. as a wholly owned subsidiary on July 13, 2021.

The Company recognized an intangible asset representing customer relationships in the amount of 227,424 million yen as a result of measuring the identifiable assets acquired and liabilities assumed (See Note (5) Business Acquisitions and Divestitures, (b) Acquisition of GlobalLogic Inc.).

The measurement of this intangible asset representing customer relationships is determined based on discounted future cash flows expected to be generated by the asset and is affected by estimates of future cash flows and the discount rate. Future cash flows are estimated using significant assumptions, including revenue growth rates, EBITDA ratios, revenue growth rate for existing customers and attrition rate of existing customers, which all require management judgements.

We determined that the measurement of the intangible asset is a key audit matter because of the significance of the balance of the intangible asset and the significant impact on the consolidated financial statements from the management judgement related to the significant assumptions.

Auditor's Response

We primarily performed the following procedures regarding the measurement of the intangible asset.

- We obtained an understanding of the details and objectives of the transaction by examining related materials such as the acquisition agreement and making inquiries of management.
- We involved valuation specialists from a network firm in assessing the valuation methods of the intangible asset, significant assumptions used in the estimation of future cash flows, and the discount rate.
- We performed following procedures related to significant assumptions used in the estimation of future cash flows.
  - We made inquiries of management about measures to achieve the revenue growth rates and EBITDA ratios and compared the assumptions with actual operating results and available external data such as market research reports related to market growth rates.
  - We analyzed customer sales trends over the past four years, made inquiries of management and compared the revenue growth rate for existing customers and attrition rate of existing customers with actual results after the acquisition.
- We also made inquiries of management about the risks reflected in the discount rate, evaluating the consistency with the risks reflected in future cash flows.

Measurement of recoverable amount of group of cash-generating units containing goodwill related to the power grid business

Description of Key Audit Matter

The Company recognized goodwill in the amount of 513,616 million yen related to the power grid business (See Note (10) Goodwill and Other Intangible Assets). Such goodwill represents 23% of total goodwill and 3% of total assets of the Group.

The Company measured the recoverable amount based on value in use in the impairment test of the group of cash-generating units containing the goodwill. Value in use is determined using discounted future cash flows and is affected by estimates of future cash flows and the discount rate. Future cash flows are based on the business plan and are estimated using significant assumptions including revenue growth rates and gross profit ratios, which all require management judgements.

We determined that the measurement of the recoverable amount is a key audit matter because of the significance of the balance of goodwill and the significant impact on the consolidated financial statements from the management judgement related to the significant assumptions.

Auditor's Response

We primarily performed the following procedures regarding the measurement of the recoverable amount of the group of cash-generating units containing the goodwill.

- We obtained an understanding of the business plan by examining related business planning materials.
- We assessed the effectiveness of the business planning process by comparing the business plan from the prior fiscal year with the corresponding operating results and the business plan at the time of the impairment test.
- We involved valuation specialists from a network firm in assessing the valuation method of value in use, significant assumptions used in the estimation of future cash flows, and the discount rate.
- We made inquiries of management about measures to achieve the business plan and compared revenue growth rates and gross profit ratios with actual operating results and available external data such as market research reports related to market growth rates.
- We made inquiries of management about the risks reflected in the discount rate, evaluating the consistency with the risks reflected in future cash flows.

We performed sensitivity analyses assuming reasonably possible changes in significant assumptions, assessing the effect on the recoverable amount.

Estimation of total cost of long-term projects

Description of Key Audit Matter

The Group has long-term projects involving the manufacture and provision of goods in accordance with customer specifications that are completed over specified periods of time to customers in a broad range of business areas across the world.

The Group recognizes revenues from long-term projects in the amount of 1,578,613 million yen by measuring the progress of the project mostly based on the cost incurred relative to the estimated total cost to satisfy the performance obligations (See Note (20) Revenues, (a) Disaggregation of revenue, (b) Information about satisfaction of performance obligations). Furthermore, the Group recognizes provisions for expected losses on construction contracts in the amount of 90,758 million yen based on the estimated amount of losses associated with fulfilling the project requirements (See Note (14) Provisions).

Estimations of total cost of long-term projects affect the corresponding amounts of revenues and provisions. Each of the Group's long-term projects is distinct in terms of customer requirements, such as detailed specifications and scheduling, and therefore estimations of total cost depend on management judgement. Estimations of total cost are particularly complex in relation to large-scale projects.

We determined that the estimation of total cost of long-term projects is a key audit matter because auditing estimations of total cost of long-term projects requires consideration of various factors affecting such estimations corresponding to each project as a result of the nature of the Group's long-term projects.

Auditor's Response

We obtained an understanding of the project management systems utilized by the Group as well as its processes for estimating total cost, and tested the relevant internal controls, including the approval of initial and revised operating budgets that serve as the basis of estimating total cost.

We selected samples of long-term projects, such as those projects whose total contract value exceeded certain materiality thresholds and projects subject to various qualitative risks, including delays in the progress of the project, and, on a quarterly basis, performed selected procedures from the following considering the status of each project:

- We obtained an understanding of the significant factors influencing the estimates related to customer specifications on goods and the timing of delivery and the effects of estimation uncertainty inherent in those significant factors influencing the estimates by examining contracts and project management materials and making inquiries of management and compared specific line items in the estimated total cost with corresponding quotations from suppliers.
- We assessed the management's judgements on the necessity of revising estimates of total cost considering the status of each project based on inquiries of management and by examining project management materials.
- We assessed the effectiveness of the processes for estimating total cost by comparing initial and previous period estimates with the actual total cost for completed projects and previous period estimates with the latest estimates for projects in progress.

We additionally made separate inquiries to project managers for projects that were considered particularly significant to corroborate management explanations of their status.

Other Information

The other information comprises the information included in the Group's the annual report (Yukashoken Hokokusho) that contains audited consolidated financial statements but does not include the consolidated financial statements, financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. The Audit Committee is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

[Internal Control Audit]

Opinion

Pursuant to Article 193-2, Section 2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying Management’s Report on Internal Control Over Financial Reporting for the financial statements as at March 31, 2022 of Hitachi, Ltd. and its consolidated subsidiaries ("Management's Report").

In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting as at March 31, 2022 of Hitachi, Ltd. and its consolidated subsidiaries (the Group) is effective, presents fairly, in all material respects, the result of management's assessment of internal control over financial reporting in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion
We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Management's Report
Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.
The Audit Committee is responsible for monitoring and verifying the design and operation of internal control over financial reporting.
Internal control over financial reporting may not prevent or detect misstatements completely.

Auditor's Responsibilities for the Audit of Internal Control
Our objectives are to obtain reasonable assurance about whether Management's Report is free from material misstatement, and to issue an auditor's report that includes our opinion from an independent standpoint.

As part of an audit in accordance with auditing standards on internal control generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence relating to the result of management's assessment of internal control over financial reporting in Management's Report. The design and performance of audit procedures for internal control audits is based on our judgement in consideration of the materiality of the effect on the reliability of financial reporting.
- Consider the overall presentation of Management's Report with regards to the scope, procedures, and result of the assessment of internal control over financial reporting including descriptions by management.
- Obtain sufficient appropriate audit evidence regarding the result of management's assessment of internal control over financial reporting in Management's Report. We are responsible for the direction, supervision, and performance of the audit of Management's Report.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, any significant deficiencies in internal control that we identify, and the results of corrective measures for such significant deficiencies.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of internal control in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan
Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

(Translation)

Following is an English translation of the Confirmation Letter filed under the Financial Instruments and Exchange Act of Japan.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 22, 2022
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Name and title of Representative]	Keiji Kojima, President & CEO
[Name and title of CFO]	Yoshihiko Kawamura, Executive Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

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

   Mr. Keiji Kojima, President & CEO, and Mr. Yoshihiko Kawamura, Executive Vice President and Executive Officer, confirmed that statements contained in the Annual Securities Report for the 153rd fiscal year (from April 1, 2021 to March 31, 2022) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

   None.

Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.
