

[Translation]

THE **150**<sup>th</sup>

# Notice of Annual General Meeting of Shareholders

**Date and Time** : Wednesday, June 19, 2019 at 10:00  
a.m. (Reception Start: 9:00 a.m.)

**Location** : **Tokyo Dome City Hall**  
(East side of Tokyo Dome Hotel)  
3-61, Koraku 1-chome, Bunkyo-ku, Tokyo

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**Matters to Be** : <Company Proposal>

**Resolved** The first item  
Election of 11 Directors due to expiration  
of the term of office of all Directors  
<Shareholder Proposal>  
The second item  
Dismissal of a Director

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Note: This English translation incorporates, from page 45 to page 62, the materials that are provided to the shareholders for their review by posting on the Company's website pursuant to the provisions of the Articles of Incorporation of the Company and the relevant laws and regulations.

Dear Shareholders:

May 30, 2019

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

**Hitachi, Ltd.**

President & CEO  
and Director **Toshiaki Higashihara**

## Notice of the 150th Annual General Meeting of Shareholders



You are cordially invited to attend the 150th Annual General Meeting of Shareholders of Hitachi, Ltd. to be held as follows:

**Date and Time** **Wednesday, June 19, 2019 at 10:00 a.m. (Reception Start: 9:00 a.m.)**

**Location** 3-61, Koraku 1-chome, Bunkyo-ku, Tokyo  
**Tokyo Dome City Hall (East side of Tokyo Dome Hotel)**

**Reporting Matter** Report on the Business Report, Financial Statements, and Consolidated Financial Statements for the 150th Business Term (from April 1, 2018 to March 31, 2019), and the results of the audit on the Consolidated Financial Statements by the Accounting Auditors and the Audit Committee

**Agenda**

**Matters to Be Resolved**

<Company Proposal>  
Item No. 1 Election of 11 Directors due to expiration of the term of office of all Directors  
<Shareholder Proposal>  
Item No. 2 Dismissal of a Director

In the event you are not able to attend, you may exercise your voting rights in writing or via the Internet. Please refer to the next page for more details.

- The following materials or items are provided to the shareholders for their review by posting on the Company's website pursuant to the provisions of the Articles of Incorporation of the Company and the relevant laws and regulations:

(a) "Information on the stock acquisition rights, etc."\* in the Business Report, (b) "Consolidated Statements of Changes in Equity"\* and "Notes to Consolidated Financial Statements"\* of the Consolidated Financial Statements, (c) "Unconsolidated Statement of Changes in Net Assets"\* and "Notes to Unconsolidated Financial Statements"\* of the Unconsolidated Financial Statements, and (d) Transcript of Accounting Auditors' Audit Report on Consolidated Financial Statements.

The Business Report that was audited by the Auditing Committee and the Consolidated Financial Statements and the Unconsolidated Financial Statements audited by the accounting auditor and Audit Committee, are those materials described in this notice as well as the materials or items with \* above.

In addition, the Company website also posts Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows as supplementary information.

- This notice is also posted on the Company's website.
- In the event the Business Report, Financial Statements, Consolidated Financial Statements or Reference Documentation for the Annual General Meeting of Shareholders need to be modified in the period from the dispatch of this notice to the preceding day of the Annual General Meeting, the Company will post such modification on its website as below.

<https://www.hitachi.com/smeet-e/index.html>

## Matters Concerning Exercise of Voting Rights

### When attending the Annual General Meeting of Shareholders



You are requested to submit the enclosed voting right card at the reception.

You may appoint only one proxy who exercises your voting rights on your behalf; provided, however, that such proxy must be a shareholder of the Company entitled to vote. In so doing, a document certifying the power of representation is required to be submitted to the Company.

### In the event you are not able to attend the Annual General Meeting of Shareholders



#### Exercise your voting rights in writing

Please fill in the voting form and return it by the exercise due date below. In exercising your voting rights in writing, you will be deemed to have approved the company proposal or have disapproved the shareholder proposal, should no indication be made on the voting form of whether you approve or disapprove each of the agenda items.

**Exercise Due Date**

**Arrival of the voting form no later than 5:00 p.m. on Tuesday, June 18, 2019**



#### Exercise your voting rights via the internet

Please exercise your voting rights by the exercise due date via the internet.

**Exercise Due Date**

**No later than 5:00 p.m. on Tuesday, June 18, 2019**

- Should you exercise your voting rights via the Internet, your vote via the Internet will be deemed to be the official indication of your intent, even if you mail your voting form.
- In the case that you submit multiple forms via the internet, the last one will be deemed to be the official indication of your intent.

<Company Proposal>  
The first item

## Election of 11 Directors due to expiration of the term of office of all Directors

Due to expiration of the term of office of all Directors at the close of this Meeting, it is proposed that 11 Directors be elected. The Company has proposed the following 11 nominees for Directors (including 8 outside directors) to reflect global and diverse viewpoints to the management as well as to ensure functions of supervision of management.

### The list of nominees

No	Name		Current Position and Responsibilities at the Company
1	<b>Katsumi Ihara</b>	RE OD ID	Outside Director ■ Audit Committee ■ Compensation Committee
2	<b>Cynthia Carroll</b>	RE OD ID	Outside Director ■ Nominating Committee
3	<b>Joe Harlan</b>	RE OD ID	Outside Director
4	<b>George Buckley</b>	RE OD ID	Outside Director
5	<b>Louise Pentland</b>	RE OD ID	Outside Director
6	<b>Harufumi Mochizuki</b>	RE OD ID	Outside Director Chairman of the Board ■ Nominating Committee (Chair) ■ Audit Committee ■ Compensation Committee (Chair)
7	<b>Takatoshi Yamamoto</b>	RE OD ID	Outside Director ■ Audit Committee ■ Compensation Committee
8	<b>Hiroaki Yoshihara</b>	RE OD ID	Outside Director ■ Nominating Committee ■ Audit Committee (Chair)
9	<b>Hiroaki Nakanishi</b>	RE	Executive Chairman ■ Nominating Committee
10	<b>Toyoaki Nakamura</b>	RE	Director ■ Audit Committee
11	<b>Toshiaki Higashihara</b>	RE	Representative Executive Officer, President & CEO and Director ■ Compensation Committee

RE	: Re-selected nominee
OD	: Outside Director
ID	: Independent Director

No **1** **Katsumi Ihara** (Date of Birth: Sept. 24, 1950) **RE** **OD** **ID**

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director Member of Audit Committee Member of Compensation Committee	One year	200

**Brief Biography**

5/1981 Joined Sony Corporation  
 6/2005 Executive Deputy President, Representative Corporate Executive Officer, Member of the Board, Sony Corporation  
 4/2009 Executive Deputy President, Corporate Executive, Sony Corporation  
 6/2009 Executive Vice President, Representative Director, Sony Financial Holdings Inc.  
 6/2010 President, Representative Director, Sony Financial Holdings Inc.  
 6/2011 President, Representative Director, Sony Life Insurance Co., Ltd.  
 4/2015 Charman, Director, Sony Life Insurance Co., Ltd. (Retired in June 2017)  
 6/2016 Chariman, Director, Sony Financial Holdings Inc. (Retired in June 2017)  
 6/2018 Director, Hitachi, Ltd. (currently in office)

**Reason for selection as Outside Director nominee**

Mr. Ihara was selected as an outside director nominee, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on his rich experience and insight in the area of global corporate management.

Attendance for fiscal 2018  
**Board of Directors meetings**  
 9 out of 9 days (100%)  
**Audit Committee**  
 11 out of 11 days (100%)  
**Compensation Committee**  
 5 out of 5 days (100%)

No **2** **Cynthia Carroll** (Date of Birth: Nov. 13, 1956) **RE** **OD** **ID**

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director Member of Nominating Committee	Six years	1,000

**Brief Biography**

10/1991 General Manager, Foil Products, Alcan Inc. (Canada)  
 1/1996 Managing Director, Aughinish Alumina Ltd., Alcan Inc.  
 10/1998 President, Bauxite, Alumina and Speciality Chemicals, Alcan Inc.  
 1/2002 President & CEO, Primary Metal Group, Alcan Inc.  
 3/2007 CEO, Anglo American plc. (UK) (Retired in April 2013)  
 6/2013 Director, Hitachi, Ltd. (currently in office)

**Reason for selection as Outside Director nominee**

Ms. Carroll was selected as an outside director nominee, since she was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint to the Company's Board of Directors based on her rich experience and insight as the top executive of major global companies.

Attendance for fiscal 2018  
**Board of Directors meetings**  
 12 out of 12 days (100%)  
**Nominating Committee**  
 9 out of 9 days (100%)

No

3

**Joe Harlan**

(Date of Birth: May 5, 1959)

RE

OD

ID



Attendance for fiscal 2018

**Board of Directors meetings  
9 out of 9 days (100%)**

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director	One year	200

**Brief Biography**

- 9/1999 Vice President and Chief Financial Officer, Lighting Business, General Electric Company (USA)
- 9/2001 Vice President, Corporate Financial Planning and Analysis, 3M Company (USA)
- 11/2002 President and Chief Executive Officer, Sumitomo 3M Ltd.
- 10/2004 Executive Vice President, Electro and Communications Business, 3M Company (USA)
- 10/2009 Executive Vice President, Consumer and Office Business, 3M Company (USA)
- 9/2011 Executive Vice President, Performance Materials, The Dow Chemical Company (USA)
- 9/2012 Executive Vice President, Chemicals, Energy and Performance Materilas, The Dow Chemical Company (USA)
- 10/2014 Chief Commercial Officer and Vice Chairman, Market Business, The Dow Chemical Company (USA)
- 10/2015 Vice Chairman and Chief Commercial Officer, The Dow Chemical Company (USA) (Retired in August 2017)
- 6/2018 Director, Hitachi, Ltd. (currently in office)

**Other Principal Positions Held**

Director, Flowserve Corporation (USA)\*

**Reason for selection as Outside Director nominee**

Mr. Harlan was selected as an outside director nominee, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight in the area of global corporate management.

No

4

**George Buckley**

(Date of Birth: Feb. 23, 1947)

RE

OD

ID



Attendance for fiscal 2018

**Board of Directors meetings  
12 out of 12 days (100%)**

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director	Seven years	5,200

**Brief Biography**

- 2/1993 Chief Technology Officer, Motors, Drives and Appliances, Emerson Electric Company (USA)
- 9/1994 President, US Electrical Motors, Emerson Electric Company (USA)
- 7/1997 President, Mercury Marine Division and Corporate Vice President, Brunswick Corporation (USA)
- 4/2000 President and Chief Operating Officer, Brunswick Corporation (USA)
- 6/2000 Chairman and Chief Executive Officer, Brunswick Corporation (USA)
- 12/2005 Chairman of the Board, President and Chief Executive Officer, 3M Company (USA)
- 2/2012 Executive Chairman of the Board, 3M Company (USA) (Retired in May 2012)
- 6/2012 Chairman, Arle Capital Partners Limited (UK) (Retired in December 2015)
- Director, Hitachi, Ltd. (currently in office)

**Other Principal Positions Held**

Chairman, Smiths Group plc (UK)\*

Chairman of the Board, Stanley Black &amp; Decker, Inc. (USA)\*

**Reason for selection as Outside Director nominee**

Mr. Buckley was selected as an outside director nominee, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight as the top executive of major global companies.

No

5

**Louise Pentland**

(Date of Birth: Apr. 11, 1972)

RE

OD

ID



Attendance for fiscal 2018

**Board of Directors meetings**  
12 out of 12 days (100%)

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director	Four years	700

**Brief Biography**

- 8/1997 Admitted as a Solicitor (UK)
- 7/2001 Senior Legal Counsel, Nokia Networks, Nokia Corporation (Finland)
- 9/2007 Vice President, Acting Chief Legal Officer and Head of IP Legal, Nokia Corporation (Finland)
- 7/2008 Senior Vice President and Chief Legal Officer, Nokia Corporation (Finland)
- 6/2009 Admitted to New York State Bar Association
- 2/2011 Executive Vice President and Chief Legal Officer, Nokia Corporation (Finland) (Retired in May, 2014)
- 4/2015 General Counsel, PayPal, eBay Inc. (USA)
- 6/2015 Director, Hitachi, Ltd. (currently in office)
- 7/2015 Senior Vice President and Chief Legal Officer, PayPal Holdings, Inc. (USA)
- 9/2016 Executive Vice President, Chief Business Affairs and Legal Officer, PayPal Holdings, Inc. (USA) (currently in office)

**Other Principal Positions Held**

Executive Vice President, Chief Business Affairs and Legal Officer, PayPal Holdings, Inc. (USA)

**Reason for selection as Outside Director nominee**

Ms. Pentland was selected as an outside director nominee, since she was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint to the Company's Board of Directors based on deep insight into corporate legal matters and corporate governance gained through her rich experience as the chief legal officer of major global companies.

No

6

**Harufumi Mochizuki**

(Date of Birth: Jul. 26, 1949)

RE

OD

ID



Attendance for fiscal 2018

**Board of Directors meetings**  
12 out of 12 days (100%)**Nominating Committee**  
9 out of 9 days (100%)**Audit Committee**  
17 out of 17 days (100%)**Compensation Committee**  
6 out of 6 days (100%)

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director Chairman of the Board Nominating Committee (Chair) Member of Audit Committee Compensation Committee (Chair)	Seven years	2,900

**Brief Biography**

- 4/1973 Joined Ministry of International Trade and Industry of Japan
- 7/2002 Director-General for Commerce and Distribution Policy, Minister's Secretariat, Ministry of Economy, Trade and Industry of Japan ("METI")
- 7/2003 Director-General, Small and Medium Enterprise Agency, METI
- 7/2006 Director-General, Agency for Natural Resources and Energy, METI
- 7/2008 Vice-Minister of Economy, Trade and Industry of Japan
- 8/2010 Special Advisor to the Cabinet of Japan (Retired in September 2011)
- 10/2010 Senior Adviser to the Board, Nippon Life Insurance Company (Retired in April 2013)
- 6/2012 Director, Hitachi, Ltd. (currently in office)
- 6/2013 President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. (currently in office)

**Other Principal Positions Held**President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd.  
Outside Director, ITOCHU Corporation**Reason for selection as Outside Director nominee**

Mr. Mochizuki was selected as an outside director nominee, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on his rich experience and insight in the area of public administration, etc.

No

7

**Takatoshi Yamamoto** (Date of Birth: Oct. 20, 1952)

RE

OD

ID



Attendance for fiscal 2018

Board of Directors meetings  
12 out of 12 days (100%)Audit Committee  
17 out of 17 days (100%)Compensation Committee  
6 out of 6 days (100%)

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director Member of Audit Committee Member of Compensation Committee	Three years	7,500

**Brief Biography**

- 4/1975 Joined Nomura Research Institute, Ltd.
- 4/1989 Joined Morgan Stanley Japan Limited
- 12/1995 Managing Director, Morgan Stanley Japan Limited
- 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. (currently in office)

**Other Principal Positions Held**

Outside Audit & Supervisory Board Member, Tokyo Electron Limited

**Reason for selection as Outside Director nominee**

Mr. Yamamoto was selected as an outside director nominee, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on a broad range of insight in business and management gained through his experience in the area of corporate analysis and global corporate management.

No

8

**Hiroaki Yoshihara** (Date of Birth: Feb. 9, 1957)

RE

OD

ID



Attendance for fiscal 2018

Board of Directors meetings  
11 out of 12 days (92%)Nominating Committee  
7 out of 7 days (100%)Audit Committee  
17 out of 17 days (100%)

Position and Responsibilities at the Company	Term of office as Outside Director	Share Ownership
Outside Director Member of Nominating Committee Audit Committee (Chair)	Five years	1,700

**Brief Biography**

- 11/1978 Joined Peat Marwick Mitchell & Co.
- 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. (currently in office)

**Other Principal Positions Held**

Outside Director, Murata Manufacturing Co., Ltd.  
Outside Director, HOYA CORPORATION

**Reason for selection as Outside Director nominee**

Mr. Yoshihara was selected as an outside director nominee, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight in the area of global corporate management and accounting.



No

9

**Hiroaki Nakanishi**

(Date of Birth: Mar. 14, 1946)

RE



Attendance for fiscal 2018

Board of Directors meetings  
11 out of 12 days (92%)Nominating Committee  
9 out of 9 days (100%)

Position and Responsibilities at the Company	Share Ownership
Executive Chairman and Executive Officer Member of Nominating Committee	31,600

**Brief Biography**

- 4/1970 Joined Hitachi, Ltd.
- 6/2003 Vice President and Executive Officer
- 4/2004 Senior Vice President and Executive Officer
- 6/2005 Chairman and Chief Executive Officer, Hitachi Global Storage Technologies, Inc. (Retired as CEO in March 2009)
- 4/2006 Executive Vice President and Executive Officer, Hitachi, Ltd. (Retired in December 2006)
- 4/2009 Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi, Ltd. Chairman of the Board, Hitachi Global Storage Technologies, Inc. (Retired in March 2010)
- 4/2010 Representative Executive Officer and President, Hitachi, Ltd.
- 6/2010 Representative Executive Officer, President and Director, Hitachi, Ltd.
- 4/2014 Representative Executive Officer, Chairman & CEO and Director, Hitachi, Ltd.
- 4/2016 Representative Executive Officer, Executive Chairman, Hitachi, Ltd.
- 4/2018 Executive Chairman, Hitachi, Ltd.(currently in office)

**Other Principal Positions Held**

Chairman, Japan Business Federation

**Reason for selection as Outside Director nominee**

Mr. Nakanishi has rich experience and a proven performance record, having been engaged in business management in the fields of information & telecommunication systems business, social infrastructure business and hard disk drives business, both at the Company and at overseas Group companies, as well as in the promotion of the Group's global business development. He has been engaged in the management of the Company since April 2010 as President, and as Chairman and CEO since April 2014. He has been serving as Executive Chairman since April 2016. Mr. Nakanishi was selected as a director nominee, since he was expected to promote information sharing and draw on his rich experience and performance record to reinforce the decision-making function of the Board of Directors as a member of the Board.

No

10

**Toyoaki Nakamura**

(Date of Birth: Aug. 3, 1952)

RE



Attendance for fiscal 2018

Board of Directors meetings  
12 out of 12 days (100%)Audit Committee  
17 out of 17 days (100%)

Position and Responsibilities at the Company	Share Ownership
Director Member of Audit Committee	16,100

**Brief Biography**

- 4/1975 Joined Hitachi, Ltd.
- 1/2006 General Manager, Finance Department I, Hitachi, Ltd.
- 4/2007 Representative Executive Officer, Senior Vice President and Executive Officer, Hitachi, Ltd.
- 6/2007 Representative Executive Officer, Senior Vice President and Executive Officer, and Director, Hitachi, Ltd.
- 6/2009 Representative Executive Officer, Senior Vice President and Executive Officer, Hitachi, Ltd.
- 4/2012 Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi, Ltd.
- 4/2016 Associate, Hitachi, Ltd.
- 6/2016 Director, Hitachi, Ltd. (currently in office)

**Other Principal Positions Held**

Director, Hitachi Metals, Ltd.

**Reason for selection as Director nominee**

Mr. Nakamura has rich experience and a proven performance record, having been engaged in operations in such areas as accounting and financial affairs and management at the Company. Mr. Nakamura was selected as a director nominee, since he was expected to reinforce the supervisory functions of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others based on his rich experience and a proven performance record.



Attendance for fiscal 2018

**Board of Directors meetings**  
12 out of 12 days (100%)**Compensation Committee**  
6 out of 6 days (100%)

Position and Responsibilities at the Company	Share Ownership
Representative Executive Officer, President & CEO and Director Member of Compensation Committee	14,100

**Brief Biography**

4/1977	Joined Hitachi, Ltd.
4/2007	Vice President and Executive Officer
4/2008	President, Hitachi Power Europe GmbH
4/2010	Representative Executive Officer, President and Chief Executive Officer, Hitachi Plant Technologies, Ltd.
6/2010	President and Representative Director, Hitachi Plant Technologies, Ltd.
4/2011	Vice President and Executive Officer, Hitachi, Ltd.
4/2013	Senior Vice President and Executive Officer, Hitachi, Ltd.
4/2014	Representative Executive Officer and President & COO, Hitachi, Ltd.
6/2014	Representative Executive Officer, President & COO and Director, Hitachi, Ltd.
4/2016	Representative Executive Officer, President & CEO and Director, Hitachi, Ltd. (currently in office)

**Reason for selection as Director nominee**

Mr. Higashihara has rich experience and a proven performance record, having been engaged in business management in a broad range of fields, including social infrastructure business and power systems business, both at the Company and at Group companies, as well as in the promotion of the Group's global business development. He has been engaged in the management of the Company as President & COO since April 2014 and as President & CEO since April 2016. Mr. Higashihara was selected as a director nominee, since he was expected to continue to promote information sharing and draw on his rich experience and performance record to reinforce the decision-making function of the Board of Directors as a member of the Board.

**Notes:**

- Messrs. Katsumi Ihara, Joe Harlan, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto and Hiroaki Yoshihara and Ms. Cynthia Carroll and Louise Pentland are nominees who fulfill the qualification requirements to be outside director nominees as provided for in Article 2, Paragraph 3, Item 7 of the Enforcement Regulations of the Companies Act. The Company has reported all of them as independent directors to the Japanese stock exchanges where the Company is listed.
- The Company maintains a limited liability agreement (hereinafter referred to as "Agreement") with Messrs. Katsumi Ihara, Joe Harlan, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto, Hiroaki Yoshihara, and Toyoaki Nakamura and Ms. Cynthia Carroll and Louise Pentland. The general intent of the Agreement is to limit the liability of Directors provided for in Article 423, Paragraph 1 of the Companies Act to the aggregate amount of each item stipulated under Article 425, Paragraph 1 of the Companies Act. The Agreement will be renewed should the aforementioned individuals be re-elected at this Meeting.
- ITOCHU Corporation, where Mr. Harufumi Mochizuki serves as an outside director (as an outside auditor until June 2017), was found to have committed a breach of Antimonopoly Act for its activities regarding its sales and distribution of uniforms, and the Japan Fair Trade Commission issued a cease and desist order to ITOCHU Corporation in January, February and July 2018 and issued a cease and desist order and a surcharge payment order to ITOCHU Corporation in October 2018. Mr. Mochizuki has been constantly expressing his opinions for the importance of compliance at the company's Board of Directors, etc. After the aforementioned facts were found, Mr. Mochizuki has proactively expressed suggestions for taking preventive measures and reviewed measures to enhance the compliance management system.
- SUBARU CORPORATION, where Mr. Takatoshi Yamamoto had served as an outside corporate auditor from June 2012 to June 2016, identified certain incidents of improper conduct regarding final vehicle inspections and the Ministry of Land, Infrastructure, Transport and Tourism made recommendation with respect to preventive measures and issued administrative fines in accordance with the Road Transport Vehicle Act. Mr. Yamamoto had constantly expressed his opinions for the importance of compliance at the company's Board of Directors, etc. even though he was not aware of the incidents during his terms of office.
- Mr. Hiroaki Yoshihara served as Non-Executive Director (a similar position to outside director under the Companies Act) at the Company's overseas subsidiaries from September 2008 to March 2012.
- In the event this agenda is approved, the members and the chair of the committees are expected to be as follows:  
Nominating Committee :Harufumi Mochizuki (Chair), Cynthia Carroll, Hiroaki Yoshihara, Hiroaki Nakanishi  
Audit Committee :Hiroaki Yoshihara (Chair), Katsumi Ihara, Harufumi Mochizuki, Takatoshi Yamamoto, Toyoaki Nakamura  
Compensation Committee :Harufumi Mochizuki (Chair), Katsumi Ihara, Takatoshi Yamamoto, Toshiaki Higashihara
- The Company has no transactions with PayPal Holdings, Inc., where Ms. Louise Pentland is currently serving as Executive Vice President, Chief Business Affairs and Legal Officer, and with Tokyo Small and Medium Business Investment & Consultation Co., Ltd., where Mr. Harufumi Mochizuki is currently serving as President and Representative Director.
- Mr. Katsumi Ihara served as Chairman, Director for Sony Financial Holdings Inc. (including its subsidiary company, Sony Life Insurance Co., Ltd.) (both retired in June 2017), and served as Executive Deputy President, Corporate Executive for Sony Corporation (retired in June 2009), and Mr. Joe Harlan served as Vice Chairman and Chief Commercial Officer for Dow Chemical Company (currently DowDuPont Inc.) (retired in August 2017). The amounts of transactions between the Company and each of these companies do not exceed 1% of the consolidated revenues of the Company or these companies' respective consolidated revenues.
- Mr. Hiroaki Yoshihara served as Vice Chairman of KPMG International until April 2007. However, the Accounting Auditors of the Company do not belong to the KPMG Group. In addition, there is no contractual relationship between Mr. Yoshihara and the Company in relation to accounting and other professional services or consulting services, etc.
- The positions with \* in "Other Principal Positions Held" of each nominee are similar positions in each of the foreign corporations to outside director under the Companies Act.

**(Reference) Matters considered by the Nominating Committee in nominating a director candidate**

**Size of the Board**

Given the need for diversity of the Board views and efficiency of the Board, the number of directors shall be no more than 20.

The Nominating Committee shall consider the optimal size of the Board following the policy described above in deciding the matters relating to a proposal concerning election and removal of directors to be submitted to the General Meeting of Shareholders.

**Composition of the Board**

In nominating a director candidate, the Nominating Committee shall consider:

- 1.diversity in the experience and expertise, etc. possessed by the director candidates, the composition ratio between outside directors and other directors (directors concurrently serving as executive officers and non-executive directors from within the Hitachi Group), and other such matters in order to ensure the effectiveness of the management supervision and decision-making functions of the Board;
- 2.that to maintain the continuity of the Board, new candidates do not constitute all or almost all of the nominees; and
- 3.the period of time since the candidate's assumption of office as the Company's director and the candidate's age to keep bringing fresh ideas and viewpoints regularly to the Board.

In principle, a person will not be nominated as a director candidate after his or her 75th birthday. However, the Nominating Committee may nominate a person over 75 as a director candidate in special circumstances.

**Qualification for Directors**

In nominating a director candidate, the Nominating Committee shall consider that:

- 1.such nominee has the highest personal and professional ethics, integrity and insight; and
- 2.such outside director nominee has distinguished records of leadership or experience at policy making levels in business, law, administration, accounting or education, etc., in addition to satisfying the criteria for independency as provided in this Guideline.

**Criteria for Independency of Outside Directors**

The Nominating Committee considers an outside director to be independent unless:

- 1.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;
- 2.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;
- 3.he or she has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her service as a specialist in law, accounting or tax, or as a consultant from the Company, other than director compensations; or
- 4.he or she serves as an executive officer or director of a not-for-profit organization, and the Company's discretionary charitable contributions to the organization in any of the last three fiscal years are more than ¥10 million and 2% of that organization's annual gross revenues.

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

Source: Corporate Governance Guidelines of Hitachi, Ltd. (Article 2 to 5)  
<https://www.hitachi.com/IR-e/corporate/governance/guidelines.html>

## Dismissal of a Director

The second item is proposed by a shareholder.

[Proposal]

Dismissal of Director Toyoaki Nakamura

[Reasons for the Proposal]

Mr. Toyoaki Nakamura, Director failed to fulfil his responsibilities as director in regard to the following matters pertaining to Hitachi Building Systems Co., Ltd. It is therefore proposed that he be dismissed as director.

### 1. Disregard for human life

I use an elevator provided by Hitachi Building Systems Co., Ltd. in my building approximately 10 times per month. I, the proposing shareholder was trapped inside the elevator. So I made an inquiry to the effect that "I would like to know the situation and facts surrounding such event." A response arrived 38 days later. According to the response:

- (i) (1) An elevator telephone call signal was received four times. They answered such calls but there was no response.
  - (2) There was no fault signal from the remote diagnostic equipment, nor was there any fault in the monitoring equipment.
  - (3) Therefore they did not order the mobilization of a response unit.
- (ii) All the more reason in the case of (1), and given that it was a matter pertaining to human life, it should be the case that they are required to mobilize a response unit and launch a rescue without delay.
- (iii) One sees many cases where a person's physical condition suddenly deteriorates and an ambulance is called. (The proposing shareholder is also one such person.)
- (iv) What the proposing shareholder is unable to comprehend is why they did not attempt to operate the elevator via remote control. (A past report on remote monitoring and diagnostics contained an explanation to the effect that remote operation was used in cases where the reported number of uses was greater than the actual number.) If they had done this, it should be the case that they would have been able to immediately notice myself being trapped in the elevator.
- (v) Subsequently, an explanation was made regarding what to do in the event of being trapped inside. The font of such sign was 3 mm and the sign was posted at a height of 2,050 mm from the floor. There are many users who would not even be able to read such a sign. This also leads to a disregard for human life.

### 2. Remote diagnostic equipment

- (i) (1) The report states: "At 10:35 on August 28, 2016, a call signal was received and there was a message to the effect that the voice through the intercom could not be heard clearly, that the door would not open on the first floor and that the lights had also gone out."
  - (2) The report states: "Call signals were received at 9:20, 9:22, 9:24, and 10:35 on August 28, 2016, but there was no response."
  - (3) According to (1) and (2), voice calls were made and went unanswered during the same time periods.
- (ii) It is unclear what the remote diagnostic equipment is. But if what the report states is true, then this means that the equipment is unreliable.

### 3. Reliability and security

I want to ask whether Hitachi's elevators are reliable and whether they can be used with a sense of security.

4. I visited the Company to see whether these issues could be improved, but was sent away at the entrance.

(Note) Cited above is an English translation of the original text of the proposal and reasons for the proposal submitted by the shareholder.

[Opinion of the Board of Directors]

### **The Board of Directors opposes this shareholder proposal.**

Mr. Toyoaki Nakamura has rich experience and proven performance record, having been engaged in operations in such areas as accounting and financial affairs and management at the Company, and also possesses deep insight into auditing and internal control such as through serving as Vice Chairperson of the Japan Audit & Supervisory Board Members Association. He has utilized such qualities to perform his duties faithfully as Director and strived to improve the corporate value of the Hitachi Group.

Accordingly, the Board of Directors deems that he is suitable as a Director of the Company and opposes his dismissal. Further, we have proposed to reelect him as Director at this General Meeting of Shareholders.

We also recognize that Hitachi Building Systems Co., Ltd., a subsidiary of the Company, strives to provide customers with reliable, secure, and comfortable products.

## **(1) Business Overview and Results of Hitachi Group**

### **Business Results**

Reporting on the business results of the Hitachi Group for the period under review, revenues increased by 1% from the preceding fiscal year to JPY 9,480.6 billion, due mainly to an increase in revenues in the Information & Telecommunications Systems segment where the system integration business remained firm, the Social Infrastructure & Industrial Systems segment where the railway systems business for Europe was strong, and the Construction Machinery segment where sales rose mainly in North America and Asia-Pacific.

Since the Information & Telecommunication Systems, Social Infrastructure & Industrial Systems and Construction Machinery segments recorded increases in income, adjusted operating income increased by JPY 40.3 billion from the preceding fiscal year to JPY754.9 billion, marking the record-high for fiscal 2018. However, earnings before interest and taxes (EBIT) decreased by JPY 130.3 billion from the preceding fiscal year to JPY 513.9 billion and net income attributable to Hitachi, Ltd. stockholders decreased by JPY 140.4 billion from the preceding fiscal year to JPY 222.5 billion, due mainly to impairment losses recognized as the result of the suspension of the UK nuclear power stations construction project.

We declared year-end dividend of 50 yen per share (including a special dividend of 5 yen per share), an increase compared to the preceding fiscal year.

### **Measures Taken and Aims**

#### **– Evolving further into an excellent global company**

In December last year, we decided to purchase the power grid business of the Swiss company ABB Ltd, which holds the highest global market share. We will provide energy solutions on a global scale by infusing the Hitachi Group's digital technology into ABB's power grid business. Furthermore, we accelerated global expansion of our railway business, such as by receiving orders for intercity express cars in Taiwan, operation and maintenance services for the Riyadh Metro in Saudi Arabia, and signal and traffic management systems for high-speed trains in Italy.

#### **– Expanding digital solution offerings that contribute to the realization of vibrant society**

We have responded to diverse needs of our broad customer base by dramatically expanding the utilization of Lumada, a concentration of our considerable IT solutions and operational technology (OT) accumulated over the years, and providing digital solutions.

For example, we have contributed to optimization of production processes and more efficient operation and maintenance of production equipment by offering Lumada-based solutions to customers in the manufacturing industry. We have also contributed to establishment of a next-generation digital payment platform in India, where we established a joint venture with a local bank.

#### **– Implementing structural reforms to improve efficiency in using assets and profitability**

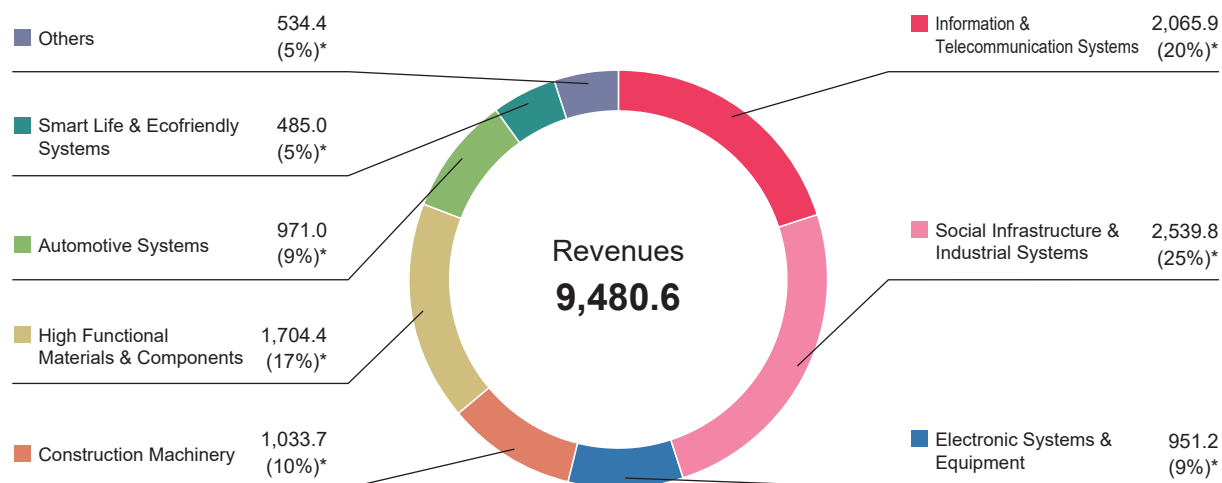
While focusing on investment in growth areas such as the purchase of the power grid business, we have made efforts to improve efficiency in using our assets for generation of profits through measures such as the sale of Clarion Co., Ltd. and the suspension of a UK nuclear power plant construction project. Furthermore, we have vigorously promoted implementation of cost structure reforms in order to improve profitability and enhance our ability to generate cash flow.

## Consolidated Financial Results for Fiscal 2018 (Billions of yen)

Revenues	<b>9,480.6</b>	Year over year	<b>+1%</b> ↗
Adjusted operating income <sup>※1</sup>	<b>754.9</b>	Year over year	<b>+6%</b> ↗
Earnings before interest and taxes (EBIT) <sup>※2</sup>	<b>513.9</b>	Year over year	<b>-20%</b> ↘
Net Income Attributable to Hitachi, Ltd. Stockholders	<b>222.5</b>	Year over year	<b>-39%</b> ↘

※1 "Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.

※2 "Earnings before interest and taxes (EBIT)" is presented as income from continuing operations, before income taxes less interest income plus interest charges.

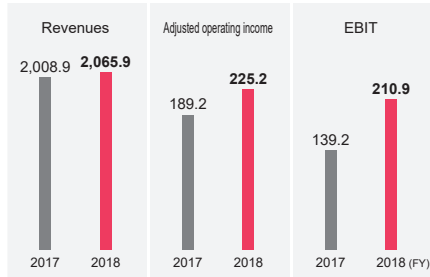


\* Percentage to total revenues

Note: Revenues by segment include intersegment transactions.

Results by Segment (Billions of yen)

## Information & Telecommunication Systems



Revenues increased by 3% from the preceding fiscal year due mainly to higher revenues from system integration business.

Adjusted operating income and EBIT increased by 19% and 51% from the preceding fiscal year respectively, due mainly to improved profitability in system integration business and IT platform & products business.

**Main Products and Services**

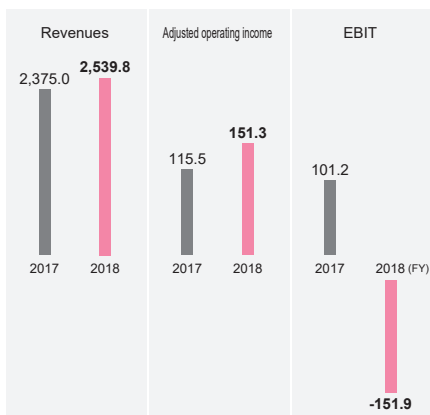
(As of March 31, 2019)

Systems Integration, Consulting, Cloud Services, Servers, Storage, Software, Telecommunications & Network, ATMs



Data Analytics Solutions

## Social Infrastructure & Industrial Systems



Revenues increased 7% from the preceding fiscal year, due mainly to revenue increase in railway systems business mainly for Europe and revenue posting from engineering procurement and construction projects in overseas market.

Adjusted operating income increased by 31% due mainly to revenue increases in railway systems business and industrial products business, and improved profitability in industrial products business. EBIT was net loss due mainly to impairment losses recognized as the result of the suspension of the UK nuclear power stations construction project, despite posting of gains on sales of shares of an equity method affiliate for railway systems business.

**Main Products and Services**

(As of March 31, 2019)

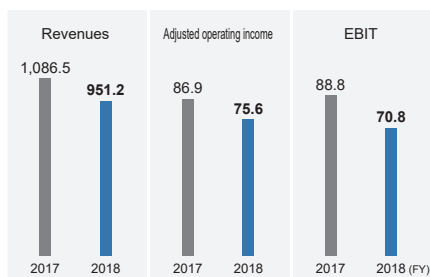
Industrial Machinery and Plants, Elevators, Escalators, Railway Systems, Thermal, Nuclear and Renewable Energy Power Generation Systems, Transmission & Distribution Systems



Class 800 for the Intercity Express Programme (IEP) in UK

Note: The thermal power generation systems business in the Social Infrastructure & Industrial Systems segment is mainly conducted by MITSUBISHI HITACHI POWER SYSTEMS, LTD., an equity-method affiliate of the Company.

## Electronic Systems & Equipment



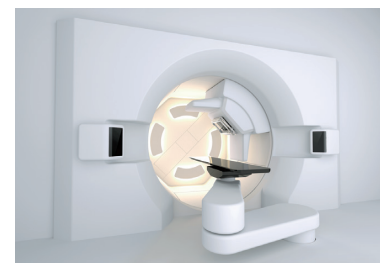
Revenues decreased by 12% from the preceding fiscal year due mainly to conversion of Hitachi Kokusai Electric Inc. into an equity-method associate, despite increased sales of clinical analyzers and semi-conductor processing equipment at Hitachi High-Technologies Corporation and higher sales of radiation therapy systems in healthcare business.

Adjusted operating income and EBIT decreased by 13% and 20% from the preceding fiscal year respectively, due mainly to conversion of Hitachi Kokusai Electric Inc.

**Main Products and Services**

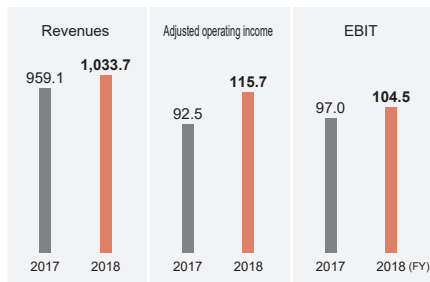
(As of March 31, 2019)

Semiconductor Processing Equipment, Test and Measurement Equipment, Advanced Industrial Products, Medical Electronics Equipment



Particle therapy system

## Construction Machinery



Revenues increased by 8 % from the preceding fiscal year due mainly to increased sales in overseas market, especially in North America and Asia-Pacific.

Adjusted operating income and EBIT increased by 25% and 8% from the preceding fiscal year respectively, due mainly to the increased revenues.

### Main Products and Services

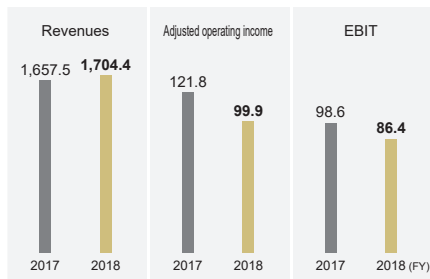
(As of March 31, 2019)

Hydraulic Excavators, Wheel Loaders, Mining Machinery



Ultra-large hydraulic excavator and rigid dump truck for mining

## High Functional Materials & Components



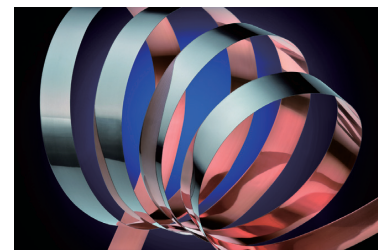
Revenues increased by 3% from the preceding fiscal year due mainly to the effect of corporate acquisition by Hitachi Chemical Company, Ltd. and Hitachi Metals, Ltd.

Adjusted operating income and EBIT declined by 18% and 12% from the preceding fiscal year respectively, due mainly to decrease in demand for factory automation-related materials and materials for semiconductors and electronics products at Hitachi Metals, Ltd. and effects of changes in product mix at Hitachi Chemical Company, Ltd.

### Main Products and Services

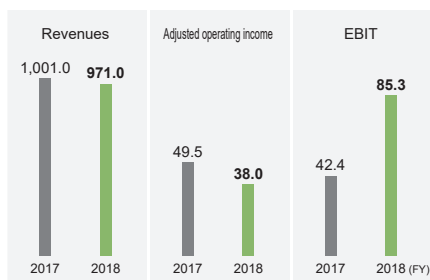
(As of March 31, 2019)

Semiconductor and Display Related Materials, Circuit Boards and Materials, Automotive Parts, Energy Storage Devices, Specialty Steel Products, Magnetic Materials and Applications, Functional Components and Equipment, Wires, Cables and Related Products



Clad metals for Lithium Ion Batteries

## Automotive Systems



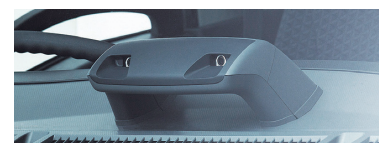
Revenues decreased by 3% from the preceding fiscal year due mainly to sales decrease in China and North America and lower sales of car information systems.

Adjusted operating income decreased by 23% from the preceding fiscal year and EBIT increased by 101% from the preceding fiscal year because of gains on sales of shares of Clarion Co., Ltd. The Hitachi Group has made investment for the future competitiveness, including in R&D with regard to electrification and autonomous driving, and implemented business restructuring for profitability improvements.

### Main Products and Services

(As of March 31, 2019)

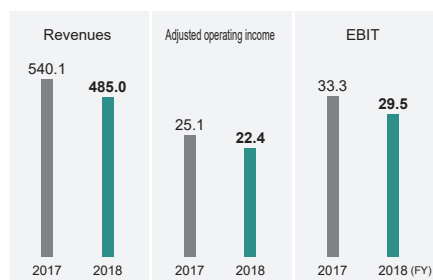
Engine Powertrain Systems, Electric Powertrain Systems, Integrated Vehicle Control Systems



Dashboard-mounted stereo cameras in the new ELF from Isuzu Motors



## Smart Life & Ecofriendly Systems



Revenues decreased by 10% from the preceding fiscal year. Adjusted operating income and EBIT decreased by 10% and 11% from the preceding fiscal year respectively due mainly to decreased revenues from home appliances in Japan and overseas market.

### Main Products and Services

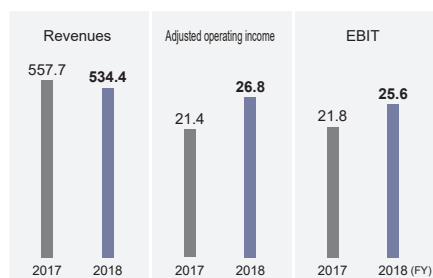
(As of March 31, 2019)

Air-Conditioning Equipment, Room Air Conditioners, Refrigerators, Washing Machines



Large-capacity refrigerator

## Others



Revenues decreased by 4% from the preceding fiscal year. Adjusted operating income and EBIT increased by 25% and 17% from the preceding fiscal year respectively.

### Main Products and Services

(As of March 31, 2019)

Optical Disk Drives, Property Management

## Revenues and Operating Results by Segment

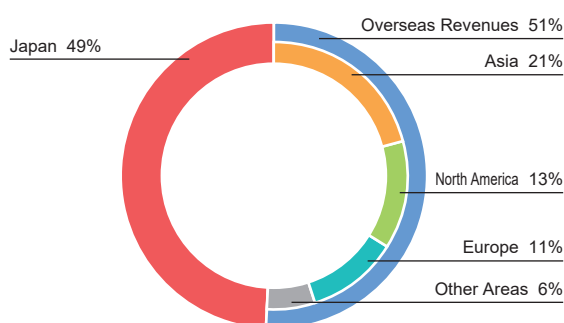
(Billions of yen)

Segment	Revenues			Adjusted Operating Income			EBIT		
	Fiscal 2017(A)	Fiscal 2018(B)	(B)/(A)	Fiscal 2017(A)	Fiscal 2018(B)	(B)/(A)	Fiscal 2017(A)	Fiscal 2018(B)	(B)/(A)
Information & Telecommunication Systems	2,008.9	2,065.9	103%	189.2	225.2	119%	139.2	210.9	151%
Social Infrastructure & Industrial Systems	2,375.0	2,539.8	107	115.5	151.3	131	101.2	(151.9)	—
Electronic Systems & Equipment	1,086.5	951.2	88	86.9	75.6	87	88.8	70.8	80
Construction Machinery	959.1	1,033.7	108	92.5	115.7	125	97.0	104.5	108
High Functional Materials & Components	1,657.5	1,704.4	103	121.8	99.9	82	98.6	86.4	88
Automotive Systems	1,001.0	971.0	97	49.5	38.0	77	42.4	85.3	201
Smart Life & Ecofriendly Systems	540.1	485.0	90	25.1	22.4	90	33.3	29.5	89
Others	557.7	534.4	96	21.4	26.8	125	21.8	25.6	117
Subtotal	10,186.1	10,285.6	101	702.3	755.3	108	622.8	461.3	74
Corporate Items & Eliminations	(817.5)	(805.0)	—	12.3	(0.3)	—	21.4	52.5	—
Total	9,368.6	9,480.6	101	714.6	754.9	106	644.2	513.9	80

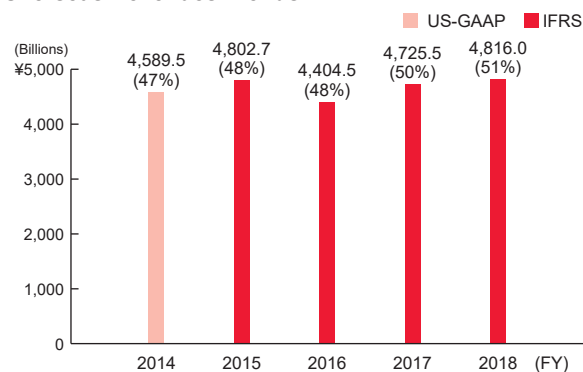
- Notes: 1. The consolidated financial statements of the Company have been prepared in conformity with the International Financial Reporting Standards (IFRS).  
2. Revenues by segment include intersegment transactions.  
3. "Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.  
4. "EBIT" is presented as income from continuing operations, before income taxes less interest income plus interest charges.

## Reference

### Revenues by Market (Fiscal 2018)



### Overseas Revenues Trends



Note: The number in parentheses is the percentage of overseas revenues to total revenues.

## (2) Five-year Summary of Assets and Results of Operation of Hitachi Group

### 1) Consolidated Basis

#### Accounting Principles Generally Accepted in the United States

(Billions of yen)

Fiscal Year	2014
Revenues	9,761.9
Operating Income	600.4
EBIT	551.0
Income Before Income Taxes	535.6
Net Income Attributable to Hitachi, Ltd. Stockholders	241.3
Total Assets	12,395.3

#### International Financial Reporting Standards (IFRS)

(Billions of yen)

Fiscal Year	2014 (Reference)	2015	2016	2017	2018
Revenues	9,774.9	10,034.3	9,162.2	9,368.6	9,480.6
Adjusted Operating Income	641.3	634.8	587.3	714.6	754.9
EBIT	534.0	531.0	475.1	644.2	513.9
Income Before Income Taxes	518.9	517.0	469.0	638.6	516.5
Net Income Attributable to Hitachi, Ltd. Stockholders	217.4	172.1	231.2	362.9	222.5
Total Assets	12,433.7	12,551.0	9,663.9	10,106.6	9,626.5

Note: From fiscal 2015, the consolidated financial statements of the Company have been prepared in conformity with International Financial Reporting Standards (IFRS). The figures for fiscal 2014 are also based on the IFRS for reference.

### 2) Unconsolidated Basis

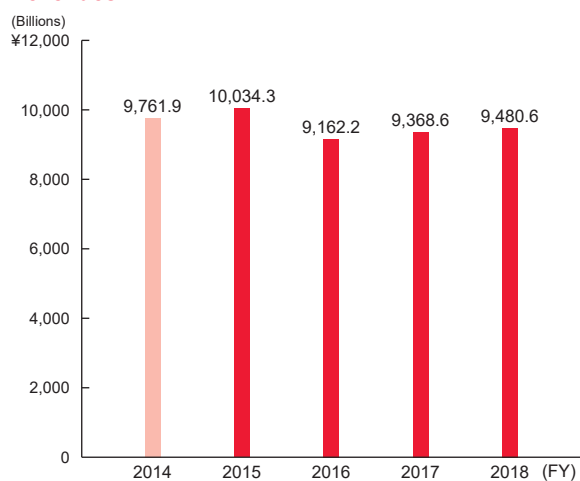
(Billions of yen)

Fiscal Year	2014	2015	2016	2017	2018
Revenues	1,842.1	1,859.6	1,906.5	1,930.2	1,927.2
Operating Income (Loss)	(3.9)	0.3	(9.8)	59.0	93.0
Ordinary Income (Loss)	(0.3)	(20.9)	71.5	131.2	304.0
Net Income	85.2	64.9	97.7	136.1	174.0
Total Assets	3,749.3	3,868.6	4,070.2	4,040.8	3,934.1

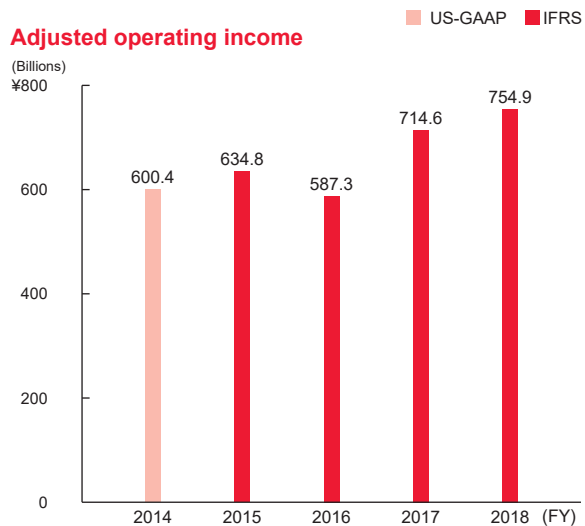
Note: All of the operating income, ordinary income and net income increased from the previous fiscal year due mainly to the affect of solid performance of the Information & Telecommunication Systems segment.

## Reference (Consolidated Financial Results)

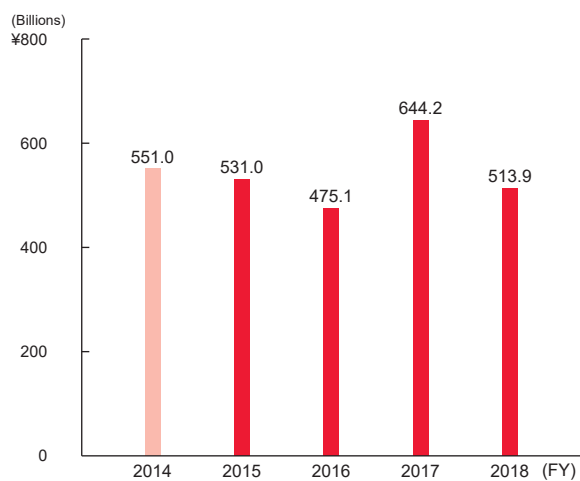
### Revenues



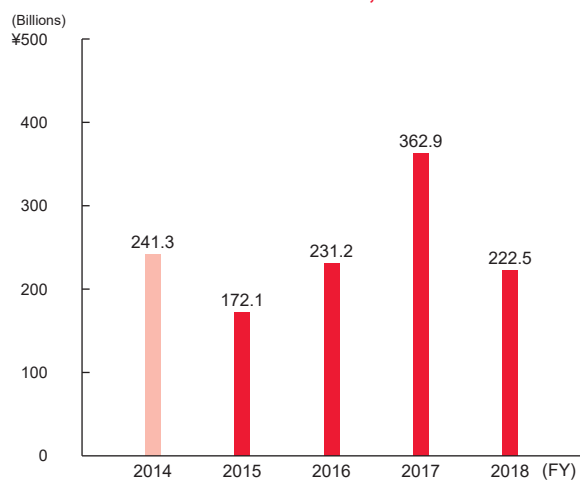
### Adjusted operating income



### EBIT



### Net Income Attributable to Hitachi, Ltd. Stockholders



### (3) Course of Actions to Take Considering Challenges for Hitachi Group

The Hitachi Group has succeeded in achieving the profitability improvement aimed for under the “2018 Mid-term Management Plan” and creating a foundation for the next stage of growth.

Under the newly formulated “2021 Mid-term Management Plan,” we will work on the realization of a sustainable society. Through our social innovation business, we will strive to improve three areas of customers' value, namely social value (solving social issues), environmental value (reducing greenhouse gasses, etc.) and economic value (improving business performance, etc.), leading to an improvement in people's quality of life. Under this new plan, we will focus on the following policies with the aim of making a leap forward.

#### – Challenge ourselves to be a global leading company: Evolve business models using Lumada

We have identified the five key sectors of Mobility, Smart Life, Industry, Energy, and IT as areas in which we propose social value, environmental value and economic value together to customers. In order to realize further growth in these five sectors, we will further upgrade Lumada as common platform and support our customers' accelerating innovation, serving as a bridge between digital technologies and real world.

We implement optimal business strategies for each of five sectors. We aim for further growth through acquisition integration of ABB's power grid business scheduled for 2020 in Energy sector and make continuous investments necessary to our growth in Industry and IT sectors. We pursue becoming a global leading company of social innovation business.

#### – Construct resilient management base

We focus on the cost of capital for our business management newly adopting the return of invested capital (ROIC) as a key performance indicator. We will strive to improve capital efficiency of the Hitachi Group by optimizing our business portfolio, making concentrated investment in growth areas, reforming unprofitable businesses and reducing underperforming assets. Also, we will continuously promote cost reductions through streamlining of business operations with digital technologies including Lumada.

#### – Take further initiatives to gain the trust of society

The Hitachi Group reaffirms that gaining and maintaining the trust of society in quality, safety, and compliance is one of the top priorities. In addition, we will proactively and continuously make efforts to meet such needs of society or the times as promoting diversity in our workplace, speeding up work-style reforms, and contributing to the environment and local communities.

In this manner, Hitachi will take the next step towards becoming a global leading company that contributes to the realization of a sustainable society.

### (4) Borrowings and Financing Activity of Hitachi Group

#### Major Financing Activities

Hitachi Metals, Ltd. issued unsecured straight bonds in December 2018, procuring a total of JPY 40.0 billion to fund capital investment and the repayment of borrowings.

#### Major Borrowings (As of March 31, 2019)

Name of Company	Creditor	Balance of Borrowings
The Company	Mizuho Bank, Ltd.	30.0 billion yen
	MUFG Bank, Ltd.	30.0 billion yen
	Japan Bank for International Cooperation	21.0 billion yen

Note: In addition to the figures shown above, the Company owes JPY 235.6 billion of long-term borrowings by means of syndicated loan agreements.

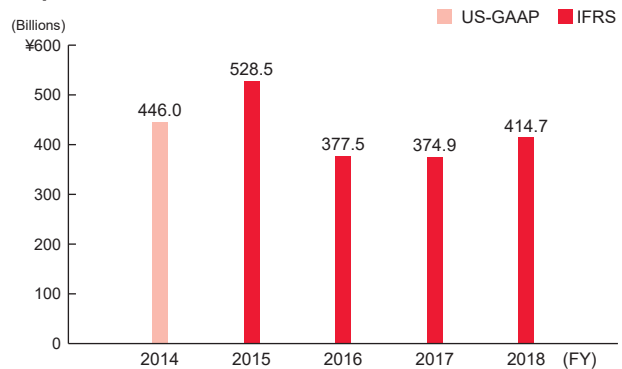
## (5) Capital Investment of Hitachi Group

During fiscal 2018, the Hitachi Group carried out capital investment of JPY 414.7 billion, an increase of JPY 39.8 billion from the preceding fiscal year, for strengthening manufacturing functions in line with its global business expansion. This increase is due mainly to investing in production facilities of high functional materials & components and restructuring of the production system of construction machinery.

A breakdown of capital investment by segment is shown below.

(Billions of yen)	
Segment	Amount
Information & Telecommunication Systems	34.2
Social Infrastructure & Industrial Systems	73.4
Electronic Systems & Equipment	21.5
Construction Machinery	30.3
High Functional Materials & Components	143.3
Automotive Systems	73.5
Smart Life & Ecofriendly Systems	12.1
Others	24.7
Subtotal	413.4
Corporate Items & Eliminations	1.3
Total	414.7

### Capital Investment Trends



## (6) Research and Development of Hitachi Group

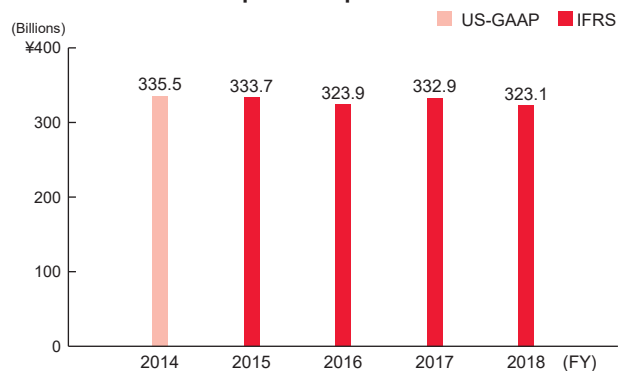
Expenses on research and development during fiscal 2018 amounted to JPY 323.1 billion.

The Hitachi Group is conducting R&D for creating solutions to solve issues customers have, as well as making efforts to develop leading-edge technologies such as artificial intelligence, Internet of Things, robotics and autonomous driving.

A breakdown of R&D expenses by segment is shown below.

(Billions of yen)	
Segment	Amount
Information & Telecommunication Systems	46.9
Social Infrastructure & Industrial Systems	55.7
Electronic Systems & Equipment	46.1
Construction Machinery	24.7
High Functional Materials & Components	51.1
Automotive Systems	64.1
Smart Life & Ecofriendly Systems	7.9
Others	3.7
Corporate Items	22.5
Total	323.1

### Research and Development Expenses Trends



**(7) Employees of Hitachi Group** (As of March 31, 2019)

Segment	Number of Employees	Change from the End of the Preceding Year
Information & Telecommunication Systems	73,086	-302
Social Infrastructure & Industrial Systems	79,108	+1,632
Electronic Systems & Equipment	15,959	-4,047
Construction Machinery	24,091	+622
High Functional Materials & Components	51,895	+186
Automotive Systems	25,052	-8,906
Smart Life & Ecofriendly Systems	11,279	-11
Others	12,653	-633
Corporate (Head Office and others)	2,818	+125
Total	295,941	-11,334
(the Company)	( 33,490 )	( -1,435 )

Note: In addition to the figures shown above, the average number of part-time employees during fiscal 2018 at the Hitachi Group was 22,869 (of which, 1,530 worked at the Company).

**(8) Major Facilities of Hitachi Group** (As of March 31, 2019)**Major Facilities of the Company**

	Location
Head Office	Tokyo (Chiyoda-ku, Minato-ku)
R&D	Tokyo (Minato-ku, Kokubunji), Ibaraki (Hitachi, Hitachinaka), Saitama (Hatoyama), Kanagawa (Yokohama)
Manufacturing, Design and Engineering	Tokyo (Chiyoda-ku, Minato-ku, Shinagawa-ku, Toshima-ku, Taito-ku, Mitaka), Ibaraki (Hitachi, Hitachinaka, Tsuchiura), Kanagawa (Yokohama, Kawasaki, Hadano, Odawara), Yamaguchi (Kudamatsu)
Sales and Area Operations	Tokyo (Chiyoda-ku, Shinagawa-ku, Toshima-ku, Minato-ku, Taito-ku), Hokkaido Area Operation (Chuo-ku, Sapporo), Tohoku Area Operation (Aoba-ku, Sendai), Kanto Area Operation (Chiyoda-ku, Tokyo), Yokohama Area Operation (Nishi-ku, Yokohama), Hokuriku Area Operation (Toyama), Chubu Area Operation (Naka-ku, Nagoya), Kansai Area Operation (Kita-ku, Osaka), Chugoku Area Operation (Naka-ku, Hiroshima), Shikoku Area Operation (Takamatsu), Kyushu Area Operation (Sawara-ku, Fukuoka)

**Major Facilities of Consolidated Subsidiaries of the Company**

Major consolidated subsidiaries of the Company and their locations are as stated in “(9) Major Hitachi Group Companies.”

**(9) Major Hitachi Group Companies (As of March 31, 2019)**

Segment	Name of Company	Location
Information & Telecommunication Systems	Hitachi Information & Telecommunication Engineering, Ltd.	Yokohama, Kanagawa
	Hitachi-Omron Terminal Solutions, Corp.	Shinagawa-ku, Tokyo
	Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo
	Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo
	Hitachi Computer Products (America), Inc.	U.S.A.
	Hitachi Consulting Corporation	U.S.A.
	*Hitachi Global Digital Holdings Corporation	U.S.A.
	Hitachi Payment Services Private Limited	India
	Hitachi Vantara Corporation	U.S.A.
Social Infrastructure & Industrial Systems	Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo
	Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki
	Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo
	Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki
	Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo
	Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo
	Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki
	Hitachi Elevator (China) Co., Ltd.	China
	Hitachi Rail Europe Ltd.	U.K.
*Sullair US Purchaser, Inc.	U.S.A.	
Electronic Systems & Equipment	Hitachi High-Technologies Corporation	Minato-ku, Tokyo
Construction Machinery	Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo
High Functional Materials & Components	Hitachi Chemical Company, Ltd.	Chiyoda-ku, Tokyo
	Hitachi Metals, Ltd.	Minato-ku, Tokyo
Automotive Systems	Hitachi Automotive Systems, Ltd.	Hitachinaka, Ibaraki
	Hitachi Automotive Systems Americas, Inc.	U.S.A.
Smart Life & Ecofriendly Systems	Hitachi Appliances, Inc.	Minato-ku, Tokyo
	Hitachi Consumer Marketing, Inc.	Minato-ku, Tokyo
	Hitachi Consumer Products (Thailand), Ltd.	Thailand
Others	Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo
	Hitachi Life, Ltd.	Hitachi, Ibaraki
	Hitachi Urban Investment, Ltd.	Chiyoda-ku, Tokyo
	Hitachi America, Ltd.	U.S.A.
	Hitachi Asia Ltd.	Singapore
	Hitachi (China), Ltd.	China
	Hitachi Europe Ltd.	U.K.
Hitachi India Pvt. Ltd.	India	

- Notes: 1. The total number of consolidated subsidiaries is 803.  
2. The number of equity-method affiliates is 418. The major equity-method affiliates are MITSUBISHI HITACHI POWER SYSTEMS, LTD., Hitachi Kokusai Electric Inc., Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd, Hitachi Capital Corporation and Hitachi Transport System, Ltd.  
3. The companies marked with \* are holding companies; their major operating companies are located in the United States.  
4. Hitachi Global Digital Holdings Corporation is the company whose name was changed from Hitachi Information & Telecommunication Systems Global Holding Corporation on April 1, 2018.  
5. Hitachi Rail Europe Ltd. changed its company name to Hitachi Rail Ltd. on April 1, 2019.  
6. Hitachi Appliances, Inc. merged with Hitachi Consumer Marketing, Inc. and changed its name to Hitachi Global Life Solutions, Inc on April 1, 2019.  
7. Hitachi Kokusai Electric Inc. was converted into an equity-method affiliate as a result of the share transfer, etc. in June 2018.  
8. Clarion Co., Ltd. has ceased to be a consolidated subsidiary of the Company as a result of the share transfer in March 2019.



## (10) Directors and Executive Officers

### 1) Directors

#### Name, Position and Responsibilities, etc. (As of March 31, 2019)

Name	Position	Committee Membership	Other Principal Positions Held
Katsumi Ihara*	Outside Director	Audit Committee Compensation Committee	-
Cynthia Carroll	Outside Director	Nominating Committee	-
Joe Harlan*	Outside Director	-	Director, Flowserve Corporation (USA)**
George Buckley	Outside Director	-	Chairman, Smiths Group plc (UK)** Chairman of the Board, Stanley Black & Decker, Inc. (USA)** Director, PepsiCo, Inc. (USA)**
Louise Pentland	Outside Director	-	Executive Vice President, Chief Business Affairs and Legal Officer, PayPal Holdings, Inc. (USA)
Harufumi Mochizuki	Outside Director	Chairman of the Board Nominating Committee (Chair) Audit Committee Compensation Committee (Chair)	President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. Outside Director, ITOCHU Corporation**
Takatoshi Yamamoto	Outside Director	Audit Committee Compensation Committee	Outside Audit & Supervisory Board Member, Tokyo Electron Limited**
Hiroaki Yoshihara	Outside Director	Nominating Committee Audit Committee (Chair)	Director, Murata Manufacturing Co., Ltd.** Director, HOYA CORPORATION**
Hiroaki Nakanishi	Executive Chairman	Nominating Committee	Chairman, Japan Business Federation
Toyoaki Nakamura	Director	Audit Committee	Director, Hitachi Metals, Ltd.
Toshiaki Higashihara	Director	Compensation Committee	-

- Notes: 1. The Directors marked with \* were newly elected and assumed their positions at the 149th Annual General Meeting of Shareholders on June 20, 2018.
2. Mr. Hiroaki Yoshihara, Director (Audit Committee (Chair)), has considerable knowledge of finance and accounting based on his long experience at KPMG Group with businesses related to accounting, etc. Mr. Toyoaki Nakamura, Director (Audit Committee), has considerable knowledge of finance and accounting due to his long experience as the General Manager of accounting and finance of the Company as well as Executive Officer responsible for accounting and finance for many years.
3. The Company has appointed Director Toyoaki Nakamura as a Standing Committee member of the Audit Committee. The Company strives to improve the audit and supervisory functions of the Audit Committee by appointing a Standing Committee member and creating a system where the Audit Committee can discuss and make its decisions based on coordination with the internal auditing division and others, along with a timely grasp of accurate information through attendance to important internal meetings, etc. and information-sharing with other Committee members.
4. All of outside directors of the Company have been reported as independent directors to the Japanese stock exchanges where the Company is listed.
5. Principal position with \*\* is an outside Director or an outside Corporate Auditor (or equivalent thereof) of the said company.
6. The Company has transactions, including the sales of products and services and purchase of products and services, with ITOCHU Corporation, Tokyo Electron Limited, Murata Manufacturing Co., Ltd. and HOYA CORPORATION. The volume of transactions with each of the companies and corporations is negligible in comparison to the total business volume of the Company and to the total business volume of the corresponding entity (less than 1% of either party's consolidated revenues).

#### Director who resigned in Fiscal 2018 (Effective November 22, 2018)

Name	Position	Committee Membership	Other Principal Positions Held
Kazuyuki Tanaka	Director	Audit Committee	Chairman of the Board, Hitachi Chemical Company, Ltd.

### General Intent of Limited Liability Agreement with Directors

The Company has entered into a limited liability agreement stipulated in Article 427, Paragraph 1 of the Companies Act with each of Directors (excluding two Directors concurrently serving as an Executive Officer). The general intent of the agreement is to limit the liability of Directors to the aggregate amount of each item stipulated under Article 425, Paragraph 1 of the Companies Act.

### Major Activities of Outside Directors

Name	Attendance	Participation
Katsumi Ihara	Board of Directors meetings: 9 out of 9 days Audit Committee: 11 out of 11 days Compensation Committee: 5 out of 5 days	Mr. Ihara stated his opinions and asked questions with respect to overall management of the Group as necessary at the Board and Audit Committee meetings based on his management experience and insight in the area of global corporate management.
Cynthia Carroll	Board of Directors meetings: 12 out of 12 days Nominating Committee: 9 out of 9 days	Ms. Carroll stated her opinions and asked questions with respect to overall management of the Group as necessary at the Board meetings based on her management experience and insight with a major global business company.
Joe Harlan	Board of Directors meetings: 9 out of 9 days	Mr. Harlan stated his opinions and asked questions with respect to overall management of the Group as necessary at the Board meetings based on his management experience and insight in the area of global corporate management.
George Buckley	Board of Directors meetings: 12 out of 12 days	Mr. Buckley stated his opinions and asked questions with respect to overall management of the Group as necessary at the Board meetings based on his management experience and insight with a major global manufacturer.
Louise Pentland	Board of Directors meetings: 12 out of 12 days	Ms. Pentland stated her opinions and asked questions with respect to overall management of the Group as necessary at the Board meetings based on her experience and insight as chief legal officer at a major global business company.
Harufumi Mochizuki	Board of Directors meetings: 12 out of 12 days Nominating Committee: 9 out of 9 days Audit Committee: 17 out of 17 days Compensation Committee: 6 out of 6 days	Mr. Mochizuki stated his opinions and asked questions with respect to overall management of the Group as necessary at the Board and Audit Committee meetings based on his rich experience and insight in such areas as public administration.
Takatoshi Yamamoto	Board of Directors meetings: 12 out of 12 days Audit Committee: 17 out of 17 days Compensation Committee: 6 out of 6 days	Mr. Yamamoto stated his opinions and asked questions with respect to overall management of the Group as necessary at the Board and Audit Committee meetings based on his rich experience and insight in the area of corporate analysis and global corporate management.
Hiroaki Yoshihara	Board of Directors meetings: 11 out of 12 days Nominating Committee: 7 out of 7 days Audit Committee: 17 out of 17 days	Mr. Yoshihara stated his opinions and asked questions with respect to overall management of the Group as necessary at the Board and Audit Committee meetings based on his rich experience and insight in the area of global corporate management and accounting.

## 2) Executive Officers

Name, Position and Responsibilities, etc. (As of March 31, 2019)

Name	Position	Responsibilities	Other Principal Positions Held
*Toshiaki Higashihara	President & CEO	Overall management	-
*Masakazu Aoki	Executive Vice President and Executive Officer	Assistant to the President (business for industry and distribution sectors, water business and industrial products business)	Chairman of the Board, Hitachi Industrial Equipment Systems Co., Ltd.
*Keiji Kojima	Executive Vice President and Executive Officer	Assistant to the President (building systems business, railway systems business, smart life & ecofriendly systems business and automotive systems business) and information security management	-
*Keiichi Shiotsuka	Executive Vice President and Executive Officer	Assistant to the President (systems & services business, healthcare business and defense systems business), systems & services business and social innovation business promotion	-
*Hideaki Takahash	Executive Vice President and Executive Officer	Assistant to the President (cost structure reform and supply chain management), cost structure reform and supply chain management (MONOZUKURI and quality assurance)	-
*Toshikazu Nishino	Executive Vice President and Executive Officer	Assistant to the President (nuclear energy business and power business)	Chairman of the Board, Hitachi Metals, Ltd.
Shinichiro Omori	Senior Vice President and Executive Officer	Cost structure reform and information technology strategies	Director, Hitachi Capital Corporation
Yoshihiko Kawamura	Senior Vice President and Executive Officer	Management strategies, investment strategies and strategies for next generation business	-
Kenichi Kokubo	Senior Vice President and Executive Officer	Regional strategies (China)	-
Setsuo Shibahara	Senior Vice President and Executive Officer	Services & platform business	-
Hideaki Seki	Senior Vice President and Executive Officer	Building systems business	President and Director, Hitachi Building Systems, Co., Ltd.
*Yoshitaka Tsuda	Senior Vice President and Executive Officer	Marketing & sales, regional strategies and social innovation business promotion	Director, Hitachi Capital Corporation
Alistair Dormer	Senior Vice President and Executive Officer	Railway systems business	CEO, Hitachi Rail Europe Ltd. (U.K.)
*Hidenobu Nakahata	Senior Vice President and Executive Officer	Corporate communications, legal matters, risk management, corporate auditing and human capital	-
*Mitsuaki Nishiyama	Senior Vice President and Executive Officer	Finance and corporate pension system	-

Name	Position	Responsibilities	Other Principal Positions Held
Keiichi Akino	Vice President and Executive Officer	Marketing & sales (business for financial institutions, government, public corporation and social infrastructure systems, healthcare business and defense systems business)	-
Jun Abe	Vice President and Executive Officer	Business for industry & distribution sectors	-
Hitoshi Ito	Vice President and Executive Officer	Governments & external relations	-
Kenji Urase	Vice President and Executive Officer	Water business	-
Ryuichi Otsuki	Vice President and Executive Officer	Regional strategies	-
Atsushi Oda	Vice President and Executive Officer	Power business	-
Kohei Kodama	Vice President and Executive Officer	Legal matters, risk management and corporate auditing	-
Keizo Kobayashi	Vice President and Executive Officer	Industrial products business	-
Norihiro Suzuki	Vice President and Executive Officer	Research & development	-
Hidetoshi Takehara	Vice President and Executive Officer	Nuclear energy business	-
Osamu Naito	Vice President and Executive Officer	Governments & external relations, CSR & environmental strategy and executive support	-
Katsuya Nagano	Vice President and Executive Officer	Business for government, public corporation and social infrastructure systems	-
Isao Narukawa	Vice President and Executive Officer	Marketing & sales (nuclear energy business and power business)	-
Kentaro Masai	Vice President and Executive Officer	Supply chain management (MONOZUKURI and quality assurance)	-
Yasushi Manabe	Vice President and Executive Officer	Marketing & sales (business for industry & distribution sectors, water business, building systems business and railway systems business)	-
Shinya Mitsudomi	Vice President and Executive Officer	Railway systems business	-
Mamoru Morita	Vice President and Executive Officer	Management strategies	-
Tsugio Yamamoto	Vice President and Executive Officer	Business for financial institutions	-
Masaya Watanabe	Vice President and Executive Officer	Healthcare business	-
Hiroaki Nakanishi	Executive Officer	General	Chairman, Japan Business Federation

Notes: 1. The Executive Officers marked with \* are the Representative Executive Officers.

2. The President & CEO, Toshiaki Higashihara and the Executive Officer, Hiroaki Nakanishi concurrently hold the position of Director.

## New Executive Officers (As of April 1, 2019)

The Company changed its Executive Officers as of April 1, 2019 as follows.

Name	Position	Responsibilities
*Toshiaki Higashihara	President & CEO	Overall management
*Masakazu Aoki	Executive Vice President and Executive Officer	Assistant to the President (business for industry and distribution sectors, water & environment business and industrial products business)
*Keiji Kojima	Executive Vice President and Executive Officer	Assistant to the President (smart life & ecofriendly systems business, automotive systems business and healthcare business) and smart life & ecofriendly systems business
*Keiichi Shiotsuka	Executive Vice President and Executive Officer	Assistant to the President (systems & services business and defense systems business), systems & services business and social innovation business promotion
*Hideaki Takahashi	Executive Vice President and Executive Officer	Assistant to the President (cost structure reform and supply chain management), cost structure reform and supply chain management (MONOZUKURI and quality assurance)
*Alistair Dormer	Executive Vice President and Executive Officer	Assistant to the President (building systems business and railway systems business)
*Toshikazu Nishino	Executive Vice President and Executive Officer	Assistant to the President (nuclear energy business and energy business)
Atsushi Oda	Senior Vice President and Executive Officer	Nuclear energy business and energy business
Yoshihiko Kawamura	Senior Vice President and Executive Officer	Management strategies, investment strategies and strategies for next generation business
Kenichi Kokubo	Senior Vice President and Executive Officer	Regional strategies (China)
Setsuo Shibahara	Senior Vice President and Executive Officer	Services & platform business
Hideaki Seki	Senior Vice President and Executive Officer	Building systems business
*Yoshitaka Tsuda	Senior Vice President and Executive Officer	Marketing & sales, regional strategies and social innovation business promotion
*Hidenobu Nakahata	Senior Vice President and Executive Officer	Corporate communications, legal matters, risk management, corporate auditing and human capital
*Mitsuaki Nishiyama	Senior Vice President and Executive Officer	Finance and corporate pension system
Keiichi Akino	Vice President and Executive Officer	Marketing & sales (business for financial institutions, government, public corporation and social infrastructure systems and defense systems business)
Jun Abe	Vice President and Executive Officer,	Business for industry & distribution sectors
Hitoshi Ito	Vice President and Executive Officer,	Governments & external relations
Kenji Urase	Vice President and Executive Officer	Energy business
Ryuichi Otsuki	Vice President and Executive Officer	Investment strategies
Kohei Kodama	Vice President and Executive Officer	Legal matters, risk management and corporate auditing
Norihiro Suzuki	Vice President and Executive Officer	Research & development
**Yoji Takeuchi	Vice President and Executive Officer	Marketing & sales (business for industry & distribution sectors, water & environment business, building systems business, railway systems business and healthcare business)
Hidetoshi Takehara	Vice President and Executive Officer	Nuclear energy business
**Toshiaki Tokunaga	Vice President and Executive Officer	Services & platforms business
Osamu Naito	Vice President and Executive Officer	Governments & external relations, CSR & environmental strategy and executive support

Name	Position	Responsibilities
**Kojin Nakakita	Vice President and Executive Officer	Regional strategies (APAC)
Katsuya Nagano	Vice President and Executive Officer	Business for government, public corporation and social infrastructure systems
**Seiichiro Nukui	Vice President and Executive Officer	Business for industry & distribution sectors
**Yasushi Nomura	Vice President and Executive Officer	Information technology strategies
**Andrew Barr	Vice President and Executive Officer	Railway systems business
Kentaro Masai	Vice President and Executive Officer	Supply chain management (MONOZUKURI and quality assurance)
Shinya Mitsudomi	Vice President and Executive Officer	Railway systems business
**Masashi Murayama	Vice President and Executive Officer	Supply chain management (procurement)
Mamoru Morita	Vice President and Executive Officer	Management strategies
Tsugio Yamamoto	Vice President and Executive Officer	Business for financial institutions
**Takashi Yoda	Vice President and Executive Officer	Marketing & sales (nuclear energy business and energy business)
Masaya Watanabe	Vice President and Executive Officer	Information security management and cost structure reform
Hiroaki Nakanishi	Executive Officer	General

Notes: 1. The Executive Officers marked with \* are the Representative Executive Officers.  
2. The Executive Officers marked with\*\* are newly appointed.

### 3) Compensation for Directors and Executive Officers

Regarding the compensation for Directors and Executive Officers, the Company's Compensation Committee determines the policy on the determination of compensation of Directors and Executive Officers as well as the amount of compensation, etc. of each Director and Executive Officer.

#### **Policy on the Determination of Compensation of Directors and Executive Officers**

##### **[Method of Determination of Policy]**

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

##### **[Basic Policy]**

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

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

##### **[Compensation Structure]**

###### **(i) Matters relating to Directors**

Compensation for Directors 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.

It was decided that the year-end allowance that has been paid in the past will be integrated into basic remuneration from compensation for Directors to be elected at the annual general meeting of shareholders on June 19, 2019.

###### **(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.

With regard to compensation for fiscal 2018, the basic amount of short-term incentive compensation and that of medium- and long-term incentive compensation were set within the range of about 25 to 35% of the total annual compensation and within the range of about 10 to 40% of the total annual compensation in accordance with the relevant position, respectively.

The basic amount of each type of compensation is set based on the ratio of 1:1:1 as the standard from compensation for the fiscal year that commenced in April 2019, 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.

##### **Basic remuneration**

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

### **Short-term incentive compensation**

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

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

\* In case that an "Executive Officers that constitute the Senior Executive Committee" is in charge of business units or businesses, 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 using consolidated revenues and line items for income or earnings in order to measure the level of achievement of consolidated financial forecasts disclosed to stakeholders, including shareholders and investors.
- Division performance is evaluated using performance indicators determined as optimal ones 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 which the total shareholder return of Hitachi stock is compared with growth rate of TOPIX.
- 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.



(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.

**Total Amount of Compensation to and the Number of Directors and Executive Officers in Fiscal 2018**

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)			Number of persons
		Fixed pay	Variable pay		
			Short-term incentive compensation	Medium- and long-term incentive compensation	
Directors (excluding Outside Directors)	64	64	-	-	2
Outside Directors	347	347	-	-	11
Executive Officers	3,517	1,467	1,247	801	34
Total	3,929	1,879	1,247	801	47

- Notes: 1. The number of Directors indicated excludes two Directors who serve concurrently as Executive Officers.  
2. Fixed pay includes a year-end allowance to Directors.  
3. Compensation, etc. to Directors (excluding Outside Directors) includes compensation to one Director for his service period, who resigned as of November 22, 2018.  
4. Compensation, etc. to Outside Directors includes compensation to three Outside Directors for their service period, who retired due to expiration of their terms of office at the close of the 149th Annual General Meeting of Shareholders held on June 20, 2018.

**(11) Matters Concerning the Company's Stock** (As of March 31, 2019)

- 1) **Authorized** 2,000,000,000 shares
- 2) **Number of Shares per Unit** 100 shares
- 3) **10 Largest Shareholders**

Name	Share Ownership	Shareholding Ratio
	Shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	71,017,400	7.35
Japan Trustee Services Bank, Ltd. (Trust Account)	61,402,500	6.36
Hitachi Employees' Shareholding Association	20,694,676	2.14
Japan Trustee Services Bank, Ltd. (Trust Account 9)	20,016,500	2.07
Nippon Life Insurance Company	18,652,999	1.93
Japan Trustee Services Bank, Ltd. (Trust Account 5)	17,676,200	1.83
STATE STREET BANK WEST CLIENT - TREATY 505234	16,620,287	1.72
STATE STREET BANK AND TRUST COMPANY 505001	15,466,269	1.60
JP MORGAN CHASE BANK 385151	15,016,920	1.56
STATE STREET BANK AND TRUST COMPANY 505223	14,728,535	1.53

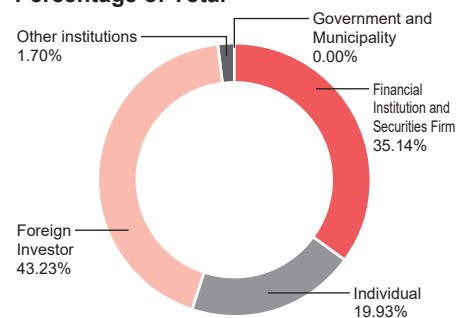
Note: Treasury stock (1,086,667 shares) is not included in the calculation of "Shareholding Ratio."

**4) Shareholders Composition**

Class of Shareholders	Number of Shareholders	Share Ownership (Shares)
Financial Institution and Securities Firm	338	339,660,799
Individual	322,738	192,695,071
Foreign Investor	1,423	417,931,258
Other institutions	2,993	16,390,237
Government and Municipality	5	15,312
<b>Total</b>	<b>327,497</b>	<b>966,692,677</b>

Note: Treasury stock is included in "Other institutions."

**Percentage of Total**



**5) Other important matters relating to shares**

On October 1, 2018, the Company changed its number of shares per one unit from 1,000 shares to 100 shares, and completed the share consolidation of every five (5) shares of common stock into one (1) share and changed the total shares authorized to be issued by the Company from 10 billion shares to 2 billion shares.

## (12) Matters Concerning Accounting Auditor

### 1) Name of accounting auditor

Ernst & Young ShinNihon LLC

### 2) Fees to accounting auditor in Fiscal 2018

(Millions of yen)

Category	Amount
Total amount of cash and other financial benefits by the Company and its subsidiaries	1,550
Fees etc. by the Company*	497

Notes: 1. The column marked with \* includes fees for audits under the Financial Instruments and Exchange Act.

2. The Audit Committee of the Company has given the consent with regard to the fees etc. to accounting auditor, in accordance with Article 399, Paragraph 1 of the Companies Act, after having 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.

### 3) Description of non-audit services

The Company commissioned assurance services (except auditing) and various consulting services to Ernst & Young ShinNihon LLC and paid fees.

### 4) Subsidiaries whose financial statements are audited by certified public accountants, etc. other than Company's accounting auditors

Of the major Hitachi Group companies (listed in (9) Major Hitachi Group Companies), overseas subsidiaries have certified public accountants ("CPA") or auditing firms other than Ernst & Young ShinNihon LLC audit their financial statements.

### 5) Removal and non-retention policy on accounting auditors

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.

**(13) Policy on Determination of Distribution of Surplus etc.**

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

The policy of the Company regarding dividends is to aim for stable growth 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.

To complement its dividends, 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.

**(14) Structures and Other Things to Ensure Adequacy of Business Operations (Internal Control System) and Operation of the Internal Control System**

**1) Summary of resolution of Board of Directors on enhancing the internal control system**

- a. The following measures shall be taken to ensure the effectiveness of audits by the Audit Committee.
  - (i) 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.
  - (ii) 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.
  - (iii) Executive Officers and employees shall report without delay to the members of the Audit Committee significant matters affecting the Company and its subsidiaries, results of internal audits, and the implementation status of reporting under the internal reporting system. It shall be provided for in the company regulation that reporters using the internal reporting system, which applies to the employees of the company and its subsidiaries, shall not receive disadvantageous treatment for reason of having made a report, and the secretariat of the system shall thoroughly administer this provision.
  - (iv) 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.
  - (v) 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.
- b. The following measures shall be effective to ensure the adequacy of business operations within the Company and the Hitachi Group.
  - (i) Such fundamental policies as the emphasis of the social responsibilities of business enterprises shall be shared with the subsidiaries of the Company.
  - (ii) 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.
  - (iii) 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.
  - (iv) Information pertaining to the execution of duties by Executive Officers of the Company shall be prepared and maintained in accordance with internal rules.

- (v) 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.
- (vi) 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.
- (vii) Continuous maintenance of a legal and regulatory compliance structure shall be ensured through the following business management systems.
  - Internal audits shall be conducted, and various committees shall be established for legal and regulatory compliance activities. Furthermore, an internal reporting system for employees of the Company and its subsidiaries shall be established and education on legal and regulatory compliance shall be provided.
  - Various policies and rules on compliance with laws shall be established, aiming to ensure that the employees are aware of the internal control systems overall and that the systems are effective.
- (viii) 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.
- (ix) The policy on transactions within the Hitachi Group is to trade fairly based on market prices.

## **2) Summary of status of operation of the internal control system**

### **Audit Committee**

- A standing committee member has been appointed to grasp information in a timely and accurate manner through attendance to important internal meetings, such as the Senior Executive Committee, and promote information-sharing with other Committee members.
- The Audit Committee receives reports on audit plans of the accounting auditor and the Internal Auditing Office in advance and proposes changes in such plans, if necessary, and closely coordinate with the accounting auditor and the Internal Auditing Office through exchanging information and opinions on a regular basis.

### **Board of Directors' Office**

- In order to assist with the duties of each Committee and the Board of Directors, the Office is staffed with four employees (as of March 31, 2019) who exclusively serve the Office and are not subject to orders and instructions of Executive Officers.

**Senior Executive Committee**

- The Senior Executive Committee meets twice a month, in principle, to deliberate on specific important matters concerning the Company or its subsidiaries and the annual business plan.
- The Senior Executive Committee makes efforts to identify potential signal of new risks through such means as progress reports on business operations of the Company and its subsidiaries, on a regular basis.

**Business Performance Management**

- The Company has formulated business strategies, measures to be taken and financial targets as the medium-term business plan and annual budget, and manages business performance based on these plans.

**Establishment of Internal Regulations and Training, etc.**

- With respect to risks related to compliance, information security, environment, disasters, quality, and investment activities, etc., the Company establishes and amends regulations and guidelines, conducts training, and prepares and distributes manuals to ensure risk management.

**Whistleblowing System**

- The Company has established and operates a whistleblowing system, in which employees, etc. of the Company and its subsidiaries may make reports to the internal secretariat for the system or an outside attorney.
- The Company has also established and operates an reporting system to directors for suspicion of illegal acts, etc. of Executive Officers of the Company.

**Internal Audit**

- The Internal Auditing Office has conducted internal audits of the Company and its subsidiaries to monitor and improve their business operations, as well as to confirm the status of their compliance and prevent illegal acts.
- The Internal Auditing Office has reported the results of its internal auditing for the Company and its subsidiaries to the Audit Committee members without delay.

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

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

While the Company recognizes the importance of its revitalization of business activities and performance that can be brought about through a change in management control, it also 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.

**Consolidated Statement of Financial Position**

	Fiscal 2017 (Reference) (As of March 31, 2018)	Fiscal 2018 (As of March 31, 2019)
	(Millions of yen)	
<b>(Assets)</b>		
<b>Current assets</b>	<b>5,151,800</b>	<b>5,035,793</b>
Cash and cash equivalents	697,964	807,593
Trade receivables	2,501,414	-
Trade receivables and contract assets	-	2,399,933
Inventories	1,375,232	1,356,762
Investments in securities and other financial assets	373,324	284,267
Other current assets	203,866	187,238
<b>Non-current assets</b>	<b>4,954,803</b>	<b>4,590,799</b>
Investments accounted for using the equity method	743,407	724,461
Investments in securities and other financial assets	716,431	568,349
Property, plant and equipment	2,124,827	1,956,685
Intangible assets	1,054,370	960,016
Other non-current assets	315,768	381,288
<b>Total assets</b>	<b>10,106,603</b>	<b>9,626,592</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>3,795,394</b>	<b>3,605,560</b>
Short-term debt	121,439	111,031
Current portion of long-term debt	117,191	185,250
Other financial liabilities	254,735	257,792
Trade payables	1,536,983	1,406,012
Accrued expenses	697,185	653,676
Advances received	551,182	-
Contract liabilities	-	553,510
Other current liabilities	516,679	438,289
<b>Non-current liabilities</b>	<b>1,799,538</b>	<b>1,606,629</b>
Long-term debt	811,664	708,490
Retirement and severance benefits	575,156	526,688
Other non-current liabilities	412,718	371,451
<b>Total liabilities</b>	<b>5,594,932</b>	<b>5,212,189</b>
<b>(Equity)</b>		
<b>Hitachi, Ltd. stockholders' equity</b>	<b>3,278,024</b>	<b>3,262,603</b>
Common stock	458,790	458,790
Capital surplus	575,809	463,786
Retained earnings	2,105,395	2,287,587
Accumulated other comprehensive income	142,167	56,360
Treasury stock, at cost	(4,137)	(3,920)
<b>Non-controlling interests</b>	<b>1,233,647</b>	<b>1,151,800</b>
<b>Total equity</b>	<b>4,511,671</b>	<b>4,414,403</b>
<b>Total liabilities and equity</b>	<b>10,106,603</b>	<b>9,626,592</b>

## Consolidated Statement of Profit or Loss

	Years ended March 31	
	2018 (Reference)	2019
	(Millions of yen)	
Revenues	9,368,614	9,480,619
Cost of sales	(6,866,522)	(6,964,635)
<b>Gross profit</b>	<b>2,502,092</b>	<b>2,515,984</b>
Selling, general and administrative expenses	(1,787,462)	(1,761,008)
Other income	12,068	206,371
Other expenses	(140,686)	(442,659)
Financial income	7,005	13,693
Financial expenses	(11,243)	(3,459)
Share of profits (losses) of investments accounted for using the equity method	62,483	(15,016)
<b>Earnings before interest and taxes (EBIT)</b>	<b>644,257</b>	<b>513,906</b>
Interest income	14,928	23,122
Interest charges	(20,539)	(20,526)
<b>Income from continuing operations, before income taxes</b>	<b>638,646</b>	<b>516,502</b>
Income taxes	(131,708)	(186,344)
<b>Income from continuing operations</b>	<b>506,938</b>	<b>330,158</b>
Loss from discontinued operations	(16,020)	(9,136)
<b>Net income</b>	<b>490,918</b>	<b>321,022</b>
Net income attributable to:		
Hitachi, Ltd. stockholders	362,988	222,546
Non-controlling interests	127,930	98,476



## Unconsolidated Balance Sheet

	Fiscal 2017 (Reference) (As of March 31, 2018)	Fiscal 2018 (As of March 31, 2019)
	(Millions of yen)	
<b>(Assets)</b>		
<b>Current assets</b>	<b>1,555,383</b>	<b>1,641,066</b>
Cash	21,578	167,367
Notes receivable	6,502	5,161
Accounts receivable	744,997	738,627
Securities	59,800	5,000
Finished goods	25,467	27,239
Semi-finished goods	22,679	19,611
Raw materials	33,021	32,075
Work in process	137,965	131,641
Advances paid	33,621	31,212
Short-term loan receivables	316,907	345,045
Deferred tax assets	64,815	-
Others	140,397	147,164
Allowance for doubtful receivables	(52,369)	(9,080)
<b>Fixed assets</b>	<b>2,485,470</b>	<b>2,293,052</b>
Tangible fixed assets	244,884	242,644
Buildings	123,671	125,490
Structures	7,090	7,130
Machinery	15,194	12,782
Vehicles	117	143
Tools and equipment	42,965	43,849
Land	45,444	43,506
Lease assets	5,004	4,934
Construction in progress	5,396	4,805
Intangible fixed assets	102,102	94,241
Patents	140	45
Software	97,727	85,089
Railway and public utility installation	461	405
Lease assets	149	175
Others	3,623	8,525
Investments and others	2,138,483	1,956,166
Affiliated companies' common stock	1,681,585	1,527,027
Investments in affiliated companies	33,282	35,613
Investments in securities	270,507	181,152
Long-term loan receivables	114,744	102,122
Deferred tax assets	-	67,854
Prepaid pension cost	1,700	8,163
Others	36,690	34,253
Allowance for doubtful receivables	(29)	(20)
<b>Total assets</b>	<b>4,040,853</b>	<b>3,934,118</b>

	Fiscal 2017 (Reference) (As of March 31, 2018)	Fiscal 2018 (As of March 31, 2019)
	(Millions of yen)	
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>1,783,194</b>	<b>1,738,208</b>
Electronically recorded obligations	40,561	33,005
Trade accounts payable	357,141	336,988
Short-term debt	69,652	107,493
Current installments of debentures	10,000	-
Lease liabilities	1,829	1,410
Other accounts payable	160,117	159,917
Accrued expenses	198,463	185,948
Advances received from customers	159,691	190,262
Deposits received	730,829	674,200
Provision for product warranties	1,484	1,632
Provision for loss on construction contracts	34,849	39,991
Others	18,573	7,357
<b>Noncurrent liabilities</b>	<b>722,186</b>	<b>632,454</b>
Debentures	50,000	50,000
Long-term debt	404,228	355,740
Lease liabilities	4,246	4,309
Accrued pension liability	75,572	70,628
Provision for retirement benefits for senior executives	121	116
Provision for loss on business of affiliated companies	126,210	120,407
Deferred tax liabilities	24,026	-
Deferred tax liabilities for land revaluation	1,111	1,111
Asset retirement obligations	9,702	10,923
Others	26,968	19,217
<b>Total liabilities</b>	<b>2,505,381</b>	<b>2,370,662</b>
<b>(Net assets)</b>		
<b>Stockholders' equity</b>	<b>1,409,674</b>	<b>1,507,105</b>
Common stock	458,790	458,790
Capital surplus	449,899	449,751
Capital reserve	176,757	176,757
Others	273,142	272,994
Retained Earnings	505,122	602,483
Others	505,122	602,483
Reserve for advanced depreciation of fixed assets	1,482	1,359
Reserve for investment loss regarding specified business restructuring	30,633	-
Retained earnings carried forward	473,006	601,123
Treasury stock	(4,137)	(3,920)
<b>Valuation and translation adjustments</b>	<b>124,789</b>	<b>54,590</b>
Unrealized holding gains on securities	127,255	56,668
Deferred profit or loss on hedges	(2,333)	(1,944)
Revaluation reserve for land	(133)	(133)
<b>Subscription rights to shares</b>	<b>1,008</b>	<b>1,760</b>
<b>Total net assets</b>	<b>1,535,472</b>	<b>1,563,456</b>
<b>Total liabilities and net assets</b>	<b>4,040,853</b>	<b>3,934,118</b>

## Unconsolidated Statement of Operations

	Years ended March 31	
	2018 (Reference)	2019
	(Millions of yen)	
Revenues	1,930,293	1,927,241
Cost of sales	1,438,872	1,428,626
<b>Gross profit on sales</b>	<b>491,420</b>	<b>498,614</b>
Selling, general and administrative expenses	432,415	405,542
<b>Operating income</b>	<b>59,005</b>	<b>93,072</b>
Other income	145,754	259,610
Interest and dividends	136,615	229,519
Others	9,139	30,091
Other deductions	73,466	48,613
Interest	4,311	4,227
Others	69,154	44,385
<b>Ordinary income</b>	<b>131,294</b>	<b>304,069</b>
Extraordinary gain	29,855	220,845
Gain on sale of affiliated companies' common stock	1,159	147,124
Gain on sale of investments in securities	24,976	40,634
Gain on sale of real property	3,720	33,086
Extraordinary loss	24,631	323,195
Impairment loss on affiliated companies' common stock	12,212	294,066
Loss on revision of retirement benefit plan	-	19,717
Loss on impairment of assets	10,557	8,592
Impairment loss on investments in capital of affiliated companies	1,750	594
Impairment loss on investments in securities	111	224
<b>Income before income taxes</b>	<b>136,518</b>	<b>201,719</b>
Income taxes		
Current	6,784	37,464
Deferred	(6,383)	(9,807)
<b>Net income</b>	<b>136,117</b>	<b>174,062</b>

REPORT OF INDEPENDENT AUDITORS

May 9, 2019

Mr. Toshiaki Higashihara, President & CEO

Hitachi, Ltd.

Ernst & Young ShinNihon LLC

Takashi Ouchida  
Certified Public Accountant  
Designated and Engagement Partner

Takuya Tanaka  
Certified Public Accountant  
Designated and Engagement Partner

Ken Sudo  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of operations, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Hitachi, Ltd. (the "Company") applicable to the 150th fiscal year from April 1, 2018 through March 31, 2019.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 150th fiscal year ended March 31, 2019 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the unconsolidated financial statements of the Company, prepared in Japanese, for the fiscal year ended March 31, 2019. Ernst & Young ShinNihon LLC has not audited the English language version of the unconsolidated financial statements for the above-mentioned year.

AUDIT REPORT

We, the Audit Committee of the Company, audited the performance by Directors and Executive Officers of their duties during the 150th business term (from April 1, 2018 to March 31, 2019). We hereby report as follows on the method and results thereof:

1. Method of Audit

- 1) We received periodical reports, obtained required explanations, and clarified opinions regarding the state of implementation and operation of the contents of the resolutions of the Board of Directors concerning the matters as listed in Article 416, Paragraph 1, Item 1 (ro) and (ho) of the Companies Act, and the status of the systems (internal control systems) established thereunder.
- 2) In accordance with the audit policy, assignment of audit duties, etc., as determined by the Audit Committee, and, in collaboration with the relevant departments, we attended important meetings, received reports or heard from the Directors, Executive Officers, etc. on matters concerning the execution of their duties, requested explanations as necessary, inspected important decision documents, etc., and made investigation into the state of activities and property at the head office and principal business offices of the Company.
- 3) As regards subsidiaries, we sought to communicate and exchange information with the Directors, Executive Officers, Auditors, and others of the subsidiaries, received reports on their business operations, requested explanations as necessary, and visited their Head Offices and principal business offices to conduct interviews and other tasks.
- 4) We examined the contents of the fundamental policy on the conduct of persons influencing decision on the Company's financial and business policies set forth in the business report giving due consideration to such things as the circumstances of deliberations by the Board of Directors and others.
- 5) Further, we monitored and examined whether the Accounting Auditors maintained their independence and performed their auditing duties adequately, as well as received reports from the Accounting Auditors on the performance status of their duties and requested explanations as necessary.
- 6) We also received a notice from the Accounting Auditors to the effect that "structures for ensuring that duties are appropriately performed" (matters stipulated in each item under Article 131 of the Regulations of Companies' Financial Statements) were being developed pursuant to the "Quality Management Standards for Auditing" (Business Accounting Council, October 28, 2005) and requested explanations as necessary.

We examined the business report and its supplementary schedules, the unconsolidated financial statements (the unconsolidated balance sheet, the unconsolidated statement of operations, the unconsolidated statement of changes in net assets, and the notes to unconsolidated financial statements) and their supplementary schedules, as well as consolidated financial statements (the consolidated statements of financial position, the consolidated statements of profit or loss, the consolidated statement of changes in equity, and the notes to consolidated financial statements) for this business term in accordance with the foregoing method.

2. Results of Audit

(1) Results of Audit on Business Report etc.

We are of the opinion:

- 1) that the business report and its supplementary schedules fairly present the state of the Company in accordance with the laws, regulations and the Articles of Incorporation;
- 2) that, in connection with the performance by Directors and Executive Officers of their duties, no dishonest act or material fact of violation of laws, regulations or the Articles of Incorporation exists;
- 3) that the contents of the resolution by the Board of Directors concerning internal control systems are appropriate. Further, there is nothing to note with respect to the performance by Directors and Executive Officers of their duties and description of the business report related to said internal control systems;
- 4) that the fundamental policy on the conduct of persons influencing decision on the Company's financial and business policies set forth in the business report are appropriate.

(2) Results of Audit on Unconsolidated Financial Statements and Their Supplementary Schedules

We are of the opinion that the method and results of the audit made by the Company's Accounting Auditors, Ernst & Young ShinNihon LLC are appropriate.

(3) Results of Audit on Consolidated Financial Statements

We are of the opinion that the method and results of the audit made by the Company's Accounting Auditors, Ernst & Young ShinNihon LLC are appropriate.

May 10, 2019

Audit Committee, Hitachi, Ltd.  
Hiroaki Yoshihara  
Toyoaki Nakamura (Standing)  
Katsumi Ihara  
Harufumi Mochizuki  
Takatoshi Yamamoto

Note: Messrs. Katsumi Ihara, Harufumi Mochizuki, Takatoshi Yamamoto and Hiroaki Yoshihara are outside Directors pursuant to Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

**The 150th Annual General Meeting of Shareholders of Hitachi, Ltd.  
Materials Disclosed via the Internet**

**Hitachi, Ltd.**

Contents

1. Information on the stock acquisition rights, etc.
2. Consolidated Statements of Changes in Equity
3. Notes to Consolidated Financial Statements
4. Consolidated Statements of Comprehensive Income (Supplementary Information)
5. Consolidated Statements of Cash Flows (Supplementary Information)
6. Unconsolidated Statement of Changes in Net Assets
7. Notes to Unconsolidated Financial Statements
8. Transcript of Accounting Auditors' Audit Report on Consolidated Financial Statements

Note: The aforementioned materials are provided to the shareholders for their review by posting on the Company's website pursuant to the provisions of the Articles of Incorporation of the Company and the relevant laws and regulations.

## 1. Information on the stock acquisition rights, etc.

(Stock Acquisition Rights Held by Senior Managements) (As of March 31, 2019)

Name of stock acquisition rights (Date of resolution)	The First Stock Acquisition Rights of Hitachi, Ltd. (June 29, 2016)	The Second Stock Acquisition Rights of Hitachi, Ltd. (April 6, 2017)	The Third Stock Acquisition Rights of Hitachi, Ltd. (April 11, 2018)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock 251,540 shares	Common stock 270,760 shares	Common stock 267,020 shares
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
Conditions for the exercise of stock acquisition rights	(Note 1, 2)	(Note 1, 2)	(Note 1, 2)
Stock acquisition rights held by senior managements	26 Executive Officers of the Company 12,577 of stock acquisition rights (Note 3)	28 Executive Officers of the Company 13,538 of stock acquisition rights (Note 3)	33 Executive Officers of the Company 13,351 of stock acquisition rights (Note 3)

(Stock Acquisition Rights Granted for Employees, etc. during Fiscal 2018)

Name of stock acquisition rights (Date of resolution)	The Third Stock Acquisition Rights of Hitachi, Ltd. (April 11, 2018)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock 404,800 shares (Note 4)
Amount to be paid in upon exercise of stock acquisition rights	¥1 per share
Exercise period of stock acquisition rights	From April 27, 2018 to April 26, 2048
Conditions for the exercise of stock acquisition rights	(Note 1, 2)
Stock acquisition rights granted for employees, etc.	35 Corporate Officers of the Company 4,048 of stock acquisition rights

- Notes: 1. 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.
2. 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:
- In case the TSR/TOPIX Growth Rate Ratio is 120% or more  
All the stock acquisition rights allotted (the "Allotted Rights") may be exercised.
  - 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 (\*).
- $$\text{*Number of stock acquisition rights exercisable} = \text{Number of Allotted Rights} \times \left\{ \left( \frac{\text{TSR/TOPIX Growth Rate Ratio}}{1.25} \right) - 0.5 \right\}$$
- Any fraction less than one stock acquisition right will be rounded down.
- In case the TSR/TOPIX Growth Rate Ratio is less than 80%  
No Allotted Rights may be exercised.
3. The number of Executive Officers includes two Executive Officers who concurrently serve as Directors.
4. The number of shares shown in the table is that prior to the share consolidation conducted on October 1, 2018.

## 2. Consolidated Statement of Changes in Equity (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of year	458,790	575,809	2,105,395	142,167	(4,137)	3,278,024	1,233,647	4,511,671
Cumulative effects of changes in accounting policies			3,209			3,209	(1,406)	1,803
Restated balance	458,790	575,809	2,108,604	142,167	(4,137)	3,281,233	1,232,241	4,513,474
Changes in equity								
Reclassified into retained earnings			33,683	(33,683)		-		-
Net income			222,546			222,546	98,476	321,022
Other comprehensive loss				(51,406)		(51,406)	(6,235)	(57,641)
Dividends to Hitachi, Ltd. stockholders			(77,246)			(77,246)		(77,246)
Dividends to non-controlling interests						-	(42,968)	(42,968)
Acquisition of treasury stock					(231)	(231)		(231)
Sales of treasury stock		(237)			448	211		211
Changes in non-controlling interests		(111,786)		(718)		(112,504)	(129,714)	(242,218)
Total changes in equity	-	(112,023)	178,983	(85,807)	217	(18,630)	(80,441)	(99,071)
Balance at end of year	458,790	463,786	2,287,587	56,360	(3,920)	3,262,603	1,151,800	4,414,403



### 3. Notes to Consolidated Financial Statements

(Notes on Important Matters for Basis of Presentation of Consolidated Financial Statements)

1. Basis of presentation

The consolidated financial statements presented herein, under Article 120, Paragraph 1 of the Regulations of Companies' Financial Statements, have been prepared in conformity with International Financial Reporting Standards (hereinafter "IFRS"). However, under the second sentence of the above provision, some descriptions and notes required under IFRS are omitted.

2. Scope of consolidation and application of equity method

The number of consolidated subsidiaries is 803 and the number of equity-method affiliates is 418.

3. Financial assets

The Company has adopted IFRS 9 "Financial Instruments" (amended in July 2014).

Financial assets measured at amortized cost

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

- The financial asset is held within a business model the objective of which is to hold the asset to collect 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.

FVTOCI financial assets(financial assets measured at fair value through other comprehensive income)

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

FVTPL financial assets(financial assets measured at fair value through profit or loss)

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

Impairment of financial assets

The Company evaluates allowance for doubtful 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 and changes in expected credit losses are recognized in profit or loss as impairment losses.

4. 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.

5. Property, plant and equipment and intangible assets

Property, plant and equipment

Property, plant and equipment are measured using the cost model and stated at the cost less accumulated depreciation and accumulated impairment losses. Each asset is depreciated mainly using the straight-line method over its estimated useful lives.

Intangible assets

Intangible assets with finite useful lives are measured using the cost model and stated at the cost less accumulated amortization and accumulated impairment losses. Each asset is amortized mainly using the straight-line method over its estimated useful lives.

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

### Impairment losses

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

#### 6. Accounting methods for retirement and severance benefits

The Company and certain subsidiaries have defined benefit pension plans and severance lump-sum payment plans to provide retirement and severance benefits to employees. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method. The present value of defined benefit obligations and the fair value of plan assets are remeasured as of the end of reporting period. Actuarial differences arising during the year and changes in fair value of plan assets (excluding interest income) are recognized in OCI and are not subsequently reclassified into profit or loss. Any prior service cost, which arises at the time of a plan amendment, is recognized immediately in profit or loss when such an amendment occurs.

The present value of defined benefit obligations less the fair value of plan assets is presented as the net amount of defined benefit liability or asset in non-current liabilities or assets.

### (Notes on Changes in Accounting Policies)

#### 1. Adoption of IFRS 9 "Financial Instruments" (amended in July 2014)

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

#### 2. Adoption of IFRS 15 "Revenue from Contracts with Customers"

From the beginning of the fiscal year ended March 31, 2019, the Company has adopted IFRS 15 "Revenue from Contracts with Customers." IFRS 15 provides a comprehensive framework for recognizing revenue. In accordance with the five-step approach below, revenue is measured based on changes in assets and liabilities arising from contracts with customers and recognized when control over goods or services is transferred to the customer.

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

As a transitional measure upon the adoption of IFRS 15, the Company applies this standard retrospectively and recognizes the cumulative effect of the initial application as an adjustment to the beginning balance of retained earnings for the current fiscal year.

Primarily in a transaction whereby the Company provides a customer with a combination of multiple elements such as goods, services or right to use assets, the transaction price is allocated to each performance obligation based on the stand-alone selling price then revenue is recognized in accordance with the five-step approach even if no fair value is available. However, the effect of adopting this standard on the Company's financial position and operating results is not material, compared with the application of the previous accounting standard. In addition, due to the application of IFRS 15, unbilled receivables, which were previously included in Trade receivables, have been reclassified as contract assets, and billed receivables have been classified as trade receivables and presented as Trade receivables and contract assets. Advances received from customers, which were previously presented as Advances received, are presented as Contract liabilities.

### (Notes to Consolidated Statement of Financial Position)

#### 1. The components of Trade receivables and contract assets: Accounts receivable of JPY 1,790,520 million, Contract assets of JPY 432,881 million, and Others of JPY 176,532 million.

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

#### 2. Accumulated other comprehensive income: Foreign currency translation adjustments of JPY 52,166 million, remeasurements of defined benefit plans of JPY 10,312 million, net changes in financial assets measured at FVTOCI of JPY 95,725 million, and net changes in cash flow hedges of JPY (101,843) million.

#### 3. Collateralized assets: Trade receivables and contract assets of JPY 6,057 million, inventories of JPY 16,535 million, investments in securities and other financial assets of JPY 681 million, and property, plant and equipment of JPY 45,242 million.

Secured debts: JPY 43,102 million

4. Allowance deducted directly from assets: JPY 32,522 million from trade receivables and contract assets, and JPY 2,272 million from other receivables.
5. Property, plant and equipment include land of JPY 290,874 million and buildings and structures of JPY 679,887 million.  
Accumulated depreciation and impairment losses of property, plant and equipment is JPY (4,119,785) million.  
Intangible assets include goodwill of JPY 561,936 million.
6. Guarantees: JPY 56,630 million

(Notes to Consolidated Statement of Profit or Loss)

1. Other income  
Other income of JPY 206,371 million mainly consists net gain (loss) on business reorganization and others of JPY 184,630 million.
2. Other expenses  
Other expenses of JPY (442,659) million includes restructuring charges (structural reform expenses) due to the suspension of the UK nuclear power stations construction project.  
These mainly consist of impairment losses on property, plant and equipment of JPY (206,799) million and on intangible assets of JPY (70,409) million.
3. Income taxes  
Income taxes of JPY (186,344) million includes current tax expense of JPY (201,204) million and deferred tax expense of JPY 14,860 million.

(Notes to Consolidated Statement of Changes in Equity)

1. Class and number of issued shares and treasury stocks at end of year
 

(1) Issued shares	Common stock	966,692,677 shares
(2) Treasury stocks	Common stock	1,086,667 shares
2. Cash dividends  
Total amount of cash dividends JPY 77,246 million
3. Class and number of shares to be issued upon exercise of stock acquisition rights at end of year  
Common stock 1,004,780 shares

(Notes on Financial Instruments)

1. Status of Financial Instruments  
The Company and its subsidiaries, in an endeavor to optimize the capital efficiency of their business activities through efficient management of operating funds, include highly liquid short-term investments, which mature within three months of the date of acquisition and pose very little risk of fluctuation in value, in "cash equivalents" as immediately available financial resources.  
Customer credit risk regarding receivables is managed based mainly on the current economic conditions, inherent risks, the financial position of the relevant customer and the past record.  
Investments in securities and other financial assets mainly comprise equity financial instruments, which are managed by constantly monitoring the fair value.  
Short-term debt and long-term debt are mainly used to fund business operations and capital expenditures.
2. Fair Value, etc. of Financial Instruments  
Information on the fair value of financial instruments as of March 31, 2019 is as follows. Financial instruments measured at fair value in the consolidated statements of financial position and financial instruments, whose carrying amounts and book value are approximately equal, are not included in the following table.

(Millions of yen)

	Carrying amounts	Fair Values
<u>Assets</u>		
Investments in securities and other financial assets		
Lease receivables	95,073	96,377
Debt securities	72,418	72,422
Long-term loans receivable	105,061	106,390
<u>Liabilities</u>		
Long-term debt [1]		
Lease obligations	49,199	49,595
Bonds	170,498	174,747
Long-term debt	674,043	678,481

- [1] Long-term debt is included in current portion of long-term debt and long-term debt in the consolidated statements of financial position.

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 and Other financial liabilities

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 and 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 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.

(Note on Per Share Information)

Hitachi, Ltd. stockholders' equity per share	JPY 3,378.81
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders per share	JPY 239.93
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders per share	JPY (9.46)
Net income attributable to Hitachi, Ltd. stockholders per share	JPY 230.47

Note: On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The figures for earnings per share attributable to Hitachi, Ltd. stockholders are calculated on the assumption that the Company conducted this consolidation at the beginning of the fiscal year.

(Notes on Major Subsequent Events)

1. Revision of defined benefit pension plan

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

In terms of the corresponding accounting treatment for retirement benefits, risk-sharing corporate pension plans, for which an entity accepts contribution obligations to the extent stipulated in the rules but has no further obligations to make any additional contributions, are classified as defined contribution plans. Since this risk-sharing corporate pension plan imposes no additional contribution obligations, at the time of the shift to the revised plan, the difference between the defined benefit obligations related to the portion transferred to the revised plan and the amount of assets transferred to the revised plan corresponding to the decrease in defined benefit obligations, approximately JPY 20.0 billion, will be recognized as a settlement gain.

Furthermore, the shift to the risk-sharing corporate pension plan is only applicable to the Company at present, but will be expanded to other subsidiaries participating in the Hitachi Corporate Pension Fund.

2. Issuance of New Shares as Restricted Stock Compensation

On April 23, 2019, pursuant to the decision made by the President in accordance with the authority delegated by the resolution of the Board of Directors, the Company decided to issue new shares as restricted stock compensation to Executive Officers and Corporate Officers (hereinafter the "Eligible Persons"), 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 Eligible Persons will make an in-kind contribution of monetary compensation receivables granted under the restricted stock compensation plan in order to purchase of shares of common stock of the Company to be issued.

The outline of issuance is as follows.

Payment date	May 31, 2019
Class and number of shares to be issued	587,800 shares of Hitachi's common stock
Issue price	JPY 3,647 per share
Total amount of issuance	JPY 2,143,706,600
Allottees, number of Allottees and number of shares to be allotted	37 Executive Officers: 472,600 shares 34 Corporate Officers: 115,200 shares

3. Acquisition of JR Automation's robotic systems integration business  
On April 23, 2019, the Company signed an agreement with JR Intermediate Holdings, LLC (hereinafter "JR Intermediate") to acquire robotic systems integration business mainly operated by JR Automation Technologies, LLC, an American subsidiary of JR Intermediate, in order to expand global business of robotic systems integration business. The acquisition is expected to be executed by the end of 2019. The consideration is expected to be USD 1,425 million (JPY 158,161 million). The effects of this transaction on the Company's consolidated financial statements are currently being evaluated.

(Other Notes)

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

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

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

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

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

2. Acquisition of ABB's power grids business  
On December 17, 2018, the Company decided to acquire the power grids business from ABB Ltd (hereinafter "ABB") and signed an agreement with ABB in order to strengthen and expand energy solutions business globally. The Company plans to acquire an 80.1% stake in the company operating the power grids business that will be divested by ABB in the first half of 2020 and make it a consolidated subsidiary of the Company. The consideration is expected to be approximately USD 6.4 billion (approximately JPY 710.3 billion).

#### 4. Consolidated Statement of Comprehensive Income (Supplementary Information)

	Years ended March 31	
	2018	2019
	(Millions of yen)	
Net income	490,918	321,022
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	1,530	(45,356)
Remeasurements of defined benefit plans	22,753	(11,881)
Share of OCI of investments accounted for using the equity method	3,302	(1,964)
Total items not to be reclassified into net income	27,585	(59,201)
Items that can be reclassified into net income		
Foreign currency translation adjustments	(8,042)	(4,175)
Net changes in cash flow hedges	5,703	(6,274)
Share of OCI of investments accounted for using the equity method	(45)	12,009
Total items that can be reclassified into net income	(2,384)	1,560
Other comprehensive income (OCI)	25,201	(57,641)
Comprehensive income	516,119	263,381
Comprehensive income attributable to:		
Hitachi, Ltd. stockholders	382,341	171,140
Non-controlling interests	133,778	92,241

## 5. Consolidated Statement of Cash Flows (Supplementary Information)

	Years ended March 31	
	2018	2019
	(Millions of yen)	
Cash flows from operating activities		
Net income	490,918	321,022
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	364,432	368,044
Impairment losses	48,656	344,997
Income taxes	131,659	183,699
Share of (profits) losses of investments accounted for using the equity method	(62,483)	15,016
Financial income and expenses	(862)	(6,387)
Net (gain) loss on business reorganization and others	(9,774)	(184,630)
(Gain) loss on sale of property, plant and equipment	2,395	(18,966)
Change in trade receivables	47,216	-
Change in trade receivables and contract assets	-	1,793
Change in inventories	(181,207)	(149,500)
Change in other assets	(17,321)	(13,419)
Change in trade payables	97,923	(16,107)
Change in retirement and severance benefits	(40,137)	(38,461)
Change in other liabilities	44,320	(35,257)
Other	(7,743)	3,925
Subtotal	907,992	775,769
Interest received	9,767	22,343
Dividends received	17,902	22,710
Interest paid	(21,582)	(22,530)
Income taxes paid	(186,911)	(188,267)
Net cash provided by (used in) operating activities	727,168	610,025
Cash flows from investing activities		
Purchase of property, plant and equipment	(352,047)	(382,351)
Purchase of intangible assets	(91,528)	(89,898)
Proceeds from sale of property, plant and equipment, and intangible assets	37,076	61,623
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(243,124)	(72,422)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	178,188	306,971
Other	(2,893)	13,205
Net cash provided by (used in) investing activities	(474,328)	(162,872)
Free cash flows	252,840	447,153
Cash flows from financing activities		
Change in short-term debt, net	(104,819)	3,706
Proceeds from long-term debt	143,354	87,636
Payments on long-term debt	(256,944)	(133,581)
Proceeds from payments from non-controlling interests	3,953	5,149
Dividends paid to Hitachi, Ltd. stockholders	(67,568)	(77,194)
Dividends paid to non-controlling interests	(32,066)	(43,375)
Acquisition of common stock for treasury	(292)	(231)
Proceeds from sales of treasury stock	49	211
Purchase of shares of consolidated subsidiaries from non-controlling interests	(6,982)	(162,692)
Proceeds from partial sales of shares of consolidated subsidiaries to non-controlling interests	205	-
Other	(344)	(55)
Net cash provided by (used in) financing activities	(321,454)	(320,426)
Effect of exchange rate changes on cash and cash equivalents	1,336	(17,098)
Change in cash and cash equivalents	(67,278)	109,629
Cash and cash equivalents at beginning of year	765,242	697,964
Cash and cash equivalents at end of year	697,964	807,593

## 6. Unconsolidated Statement of Changes in Net Assets (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Stockholders' equity							
	Common stock	Capital surplus			Retained earnings			
		Capital reserve	Others	Total capital surplus	Others			Total retained earnings
					Reserve for advanced depreciation of fixed assets	Reserve for investment loss regarding specified business restructuring	Retained earnings (losses) carried forward	
Balance at beginning of year	458,790	176,757	273,142	449,899	1,482	30,633	473,006	505,122
Cumulative effects of changes in accounting policy							545	545
Restated balance	458,790	176,757	273,142	449,899	1,482	30,633	473,552	505,667
Change during year								
Reversal of reserve for advanced depreciation of fixed assets					(122)		122	-
Reversal of reserve for investment loss regarding specified business restructuring						(30,633)	30,633	-
Distribution of surplus							(77,246)	(77,246)
Net income							174,062	174,062
Acquisition of treasury stock								
Disposition of treasury stock			(147)	(147)				
(Net) Change in items other than stockholders' equity during year								
Total change during year	-	-	(147)	(147)	(122)	(30,633)	127,570	96,815
Balance at end of year	458,790	176,757	272,994	449,751	1,359	-	601,123	602,483

	Stockholders' equity		Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Treasury stock	Total stockholders' equity	Unrealized holding gains on securities	Deferred profit or loss on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of year	(4,137)	1,409,674	127,255	(2,333)	(133)	124,789	1,008	1,535,472
Cumulative effects of changes in accounting policy		545						545
Restated balance	(4,137)	1,410,220	127,255	(2,333)	(133)	124,789	1,008	1,536,018
Change during year								
Reversal of reserve for advanced depreciation of fixed assets		-						-
Reversal of reserve for investment loss regarding specified business restructuring		-						-
Distribution of surplus		(77,246)						(77,246)
Net income		174,062						174,062
Acquisition of treasury stock	(230)	(230)						(230)
Disposition of treasury stock	448	300						300
(Net) Change in items other than stockholders' equity during year			(70,587)	388		(70,198)	751	(69,447)
Total change during year	217	96,884	(70,587)	388	-	(70,198)	751	27,437
Balance at end of year	(3,920)	1,507,105	56,668	(1,944)	(133)	54,590	1,760	1,563,456



## 7. Notes to Unconsolidated Financial Statements

(Notes on Important Accounting Policy)

1. Inventories  
Finished goods, semi-finished goods and work in process: Stated at cost. Cost is determined by the specific identification method or the moving average method. (The figures shown in the Balance Sheet have been calculated in accordance with the write-down approach based on decline in profitability.)  
Raw materials: Stated at cost. Cost is determined by the moving average method. (The figures shown in the Balance Sheet have been calculated in accordance with the write-down approach based on decline in profitability.)
2. Securities  
Affiliated companies' common stock and investments in affiliated companies are stated at cost. Cost is determined by the moving average method.  
Other securities which had readily determinable fair values are stated at fair value. The difference between acquisition cost and carrying cost of other securities is recognized in "Unrealized holding gains on securities." The cost of other securities sold is computed based on the moving average method.  
Other securities which did not have readily determinable fair values are stated at cost determined by the moving average method.
3. Derivatives  
Derivatives are stated at fair value.
4. Depreciation of tangible fixed assets (excluding lease assets)  
Straight-line method.
5. Depreciation of intangible fixed assets (excluding lease assets)  
Selling, leasing, or otherwise marketing software: Depreciated based on expected gross revenues ratably.  
Other intangible fixed assets: Straight-line method.
6. Depreciation of lease assets  
Financial leases other than those that are deemed to transfer the ownership of the leased property to the lessee: Depreciation is calculated by the straight-line method with no residual value, using the lease term as useful life. Of the financial leases other than those that are deemed to transfer the ownership of the leased property to the lessee, leases commencing on or before March 31, 2008 are accounted for based on accounting methods applied to ordinary lease transactions.
7. Allowances and Provisions  
Allowance for doubtful receivables:  
Estimated uncollectible amounts are accounted for based on loan loss ratios in the case of general receivables and based on case-by-case examination of collectability in the case of specific receivables including doubtful receivables.  
Provision for product warranties:  
In order to prepare for expenditures related to after-sales product services, estimated in-warranty service costs are accounted for based on past records.  
Provision for loss on construction contracts:  
In order to provide for losses relating to construction contracts and made-to-order software, an estimated loss for subsequent fiscal years is accounted for.  
Accrued pension liability:  
Accrued pension liability is provided for employees' retirement and severance benefits. Such liability is determined based on projected benefit obligation and expected plan assets as of the end of this fiscal year. The projected benefit obligation is determined by attributing the expected retirement and severance benefits to each year by the benefit formula basis.  
Prior service cost is amortized by the straight-line method over the estimated average remaining service years of employees.  
Unrecognized actuarial gain or loss is amortized by the straight-line method over the estimated average remaining service years of employees from the next fiscal year.  
Provision for retirement benefits for senior executives:  
In order to provide for the payment of retirement benefits to senior executives, corporate officers, and the like, the Company accounted for the amount of payment required as of the end of this fiscal year according to the stipulations in the Company's internal rules.  
Decisions were made at the Compensation Committee meetings held on December 18, 2007 and March 26, 2008 to abolish the retirement allowance system and to pay the retirement allowance for the applicable period to senior executives, corporate officers, and the like at the time of their retirement, subject to resolutions of the Compensation Committee following decisions on their retirement.  
Provision for loss on business of affiliated companies:  
In order to provide for losses relating to the business of affiliated companies, the amount the Company is expected to bear in excess of the amounts invested in and loaned to for such companies is accounted for.

8. Accounting standard for income and expenses  
Accounting standard for income on construction contracts and made-to-order software:  
Income is accounted for on the percentage of completion basis for progress made by the end of the relevant fiscal year, if said progress is deemed certain to yield results (as a general rule, the estimated percentage of progress is obtained by the cost-to-cost method). Income is accounted for on the completion basis in all other cases.
9. Consumption tax  
Consumption tax is accounted for based on the tax segregated method, under which consumption tax is excluded from presentation of revenues, cost of sales and expenses.
10. Hedge accounting  
Deferral hedge accounting is employed.

(Note on Change in Accounting Policy)

From fiscal 2018, the Company adopted the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) and reviewed the treatment of taxable temporary differences relating to subsidiaries' stock. The change in accounting policy has been adopted retrospectively. As a result, the retained earnings at the beginning of the fiscal year increased by JPY 545 million.

(Note on Change in Presentation)

Unconsolidated Balance Sheet

From fiscal 2018, the Company adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018). Based on this statement, the Company changed the method of presentation, whereby "Deferred tax assets" are described in "Investments and others" and "Deferred tax liabilities" are described in "Noncurrent liabilities".

(Notes to Unconsolidated Balance Sheet)

1. Collateralized assets

(Millions of yen)

Type of asset	Year-end book value	Description
Affiliated companies' common stock	46	Collaterals for borrowings by affiliated companies
Investments in securities	8	Collaterals for borrowings by investees
Long-term loan receivables	64	Collaterals for borrowings by affiliated companies and investees
Total	118	

2. Accumulated depreciation of tangible fixed assets

Buildings	JPY 189,011 million
Structures	JPY 26,314 million
Machinery	JPY 128,590 million
Vehicles	JPY 1,160 million
Tools and equipment	JPY 178,906 million
Lease assets	JPY 6,939 million

3. Land revaluation

Effective on April 1, 2016, the Company succeeded "Revaluation reserve for land" of Hitachi Medical Corporation in conjunction with the absorption-type company split. As of March 31, 1998, in accordance with the "Act on Revaluation of Land" (Act No.34, promulgated on March 31, 1998), land owned by Hitachi Medical Corporation for business use was revalued. The unrealized gains on the revaluation were included in net assets as "Revaluation reserve for land", net of deferred taxes. The deferred taxes on the unrealized gains were included in liabilities as "Deferred tax liabilities for land revaluation".

(1) Method of revaluation

The fair value of land was determined based on the assessed value of fixed assets stipulated in Article 2-3 of the Ordinance Implementing the Act on Revaluation of Land (Article 119 of 1998 Cabinet Order, promulgated on March 31, 1998). Reasonable adjustments are made to the assessed value of fixed assets.

(2) Date of revaluation March 31, 2002

(3) Difference between the fair value of land subject to the revaluation and the book value as of March 31, 2019 JPY (333) million

#### 4 Guarantees

The Company guarantees borrowings from financial institutions, etc. as follows.

(Millions of yen)

Guarantee	Year-end balance
Hitachi Rail Italy S.p.A. (Note 1)	143,824
Ansaldo STS S.p.A. (Note 2)	43,062
Horizon Nuclear Power Services Ltd.	1,621
Kawasaki Heavy Industries, Ltd.	1,600
Hitachi Rail Europe Ltd. (Note 3)	1,068
Other	966
Total	192,143

In addition to the foregoing, the Company has entered into an agreement with each of the following overseas affiliated companies on maintaining their finances in a sound condition, etc., mainly to enhance their credit in order to support their financing activities:

Hitachi America Capital, Ltd., Hitachi International (Holland) B.V., Hitachi International Treasury Ltd., Hitachi (China) Finance Co., Ltd. and Hitachi Power Europe GmbH

Notes: 1. Hitachi Rail Italy S.p.A. changed its company name to Hitachi Rail S.p.A. on April 1, 2019.  
2. Ansaldo STS S.p.A. changed its company name to Hitachi Rail STS S.p.A. on April 1, 2019.  
3. Hitachi Rail Europe Ltd. changed its company name to Hitachi Rail Ltd. on April 1, 2019.

5. Short-term receivables from affiliated companies JPY 768,292 million  
Long-term receivables from affiliated companies JPY 114,730 million  
Short-term payables to affiliated companies JPY 1,078,738 million  
Long-term payables to affiliated companies JPY 3,982 million

#### (Notes to Unconsolidated Statement of Operations)

- Impairment loss on affiliated companies' common stock  
Impairment loss on affiliated companies' common stock of JPY 294,066 million includes the impairment loss of Hitachi Nuclear Projects Development Europe Limited stock of JPY 286,710 million due to the suspension of the UK nuclear power stations construction project.
- Loss on revision of retirement benefit plan  
On April 1, 2019, for current employees participating in the defined benefit pension plan managed by the Hitachi Corporate Pension Fund, the Company introduced a risk-sharing corporate pension plan. Under this plan, a risk reserve contribution is determined in advance in accordance with the rules governing the plan, and the pension benefits are adjusted annually based on the financial position of the plan to maintain balanced finance. In terms of the corresponding accounting treatment for retirement benefits, risk-sharing corporate pension plans, for which an entity accepts contribution obligations to the extent stipulated in the rules but has no further obligations to make any additional contributions, are classified as defined contribution plans. Since this risk-sharing corporate pension plan imposes no additional contribution obligations, the Company adopted the "Practical Solution on Accounting for Risk Sharing Pension Plan (ASBJ PITF No.33, December 16, 2016)" and the "Practical Solution on Accounting for Transfer between Retirement Benefit Plans (ASBJ PITF No.2, February 2, 2007)". Based on these statements, the Company recognized the total amount of the difference between the defined benefit obligations related to the portion transferred to the revised plan and the amount of assets transferred to the revised plan corresponding to the decrease in defined benefit obligations, unrecognized prior service cost and unrecognized actuarial gain or loss related to the portion transferred to the plan, JPY 19,717 million, as loss on revision of retirement benefit plan.
- Loss on impairment of assets

##### (1) Summary of the assets or asset groups for which impairment loss was recognized

Classification	Description	Category	Location
Assets to be held and used	Manufacturing facility of transformation station equipment	Machinery, etc.	Hitachi, Ibaraki
	Manufacturing facility of wind turbine equipment	Machinery, etc.	Hitachi, Ibaraki
	Software relating to service business for financial institutions	Software	-
	Real estate for rent	Land, etc.	Yokohama, Kanagawa

##### (2) Reason to recognize impairment loss

The Company recognized the impairment loss for assets to be held and used since amounts invested in the above assets are expected to be irrecoverable due to decline in their profitability.

##### (3) Amounts of impairment loss

Buildings	JPY 423 million
Machinery	JPY 1,190 million
Land	JPY 926 million
Software	JPY 5,311 million
Others	JPY 741 million
Total	JPY 8,592 million

(4) Method of grouping assets

Although the grouping of assets is principally based on business divisions or places of business, some assets and asset groups are grouped as a separate unit that generates cash flows independently of other asset groups.

(5) Calculation of recoverable amounts

For assets to be held and used, calculation is based on the higher of net sales price and value in use, and net sales price is calculated by deducting the estimated cost of disposal from real estate appraisal value.

4. Sales to affiliated companies	JPY 630,822 million
Purchases from affiliated companies	JPY 937,060 million
Non-operating transactions with affiliated companies	JPY 163,866 million

(Note to Unconsolidated Statement of Changes in Net Assets)

Matters related to Class and Number of Treasury Stock

(Shares)

Class	Number of shares			
	At beginning of year	Increase during year	Decrease during year	At end of year
Common stock	5,735,947	178,520	4,827,800	1,086,667

(Summary of Reason for Change)

The increase during this fiscal year by 178,520 shares is due to the purchase of shares from less-than-one unit shareholders at their request. The decrease during this fiscal year by 4,827,800 shares is due to the reduction of 4,224,140 shares through share consolidation, the disposition of 574,400 shares as a result of the exercise of stock acquisition rights, and the sale of 29,260 shares to less-than-one unit shareholders at their request.

(Note on Accounting for Deferred Taxes)

The major causes of deferred tax assets were accrued pension liability and accrued bonuses to employees, and the major causes of deferred tax liabilities were unrealized holding gains on securities.

(Note on Leased Fixed Assets)

In addition to the capitalized fixed assets, as significant equipment, the Company utilizes cogeneration facilities under lease arrangements.

(Note on Transactions with Related Parties)

(Millions of yen)

Attribute	Name of company etc.	% of voting rights held	Relationship with the related parties	Description of transaction	Transaction amount	Classification	Year-end balance
Subsidiary	Hitachi Rail Europe Ltd. (Note 1)	Direct: 100.0%	Manufacturing, sale, engineering and maintenance of the Group's products *	Sale of products, etc.	103,882	Accounts receivable	101,812
				Loan (Note 4)	111,481	Short-term loan receivables	111,481
Subsidiary	Hitachi Nuclear Projects Development Europe Limited	Direct: 100.0%	*	Underwriting of capital increase	145,245	-	-
Subsidiary	Hitachi Vehicle Energy, Ltd.	Direct: 90.0% Indirect: 10.0%	Manufacturing and Sale of the Group's products	Underwriting of capital increase (Note 5)	49,990	-	-
				Loan (Note 5) (Note 6)	(49,579)	-	-
Subsidiary	Hitachi America Capital, Ltd.	Indirect: 100.0%	*	Loan (Note 4)	20,208	Short-term loan receivables	137,072
Subsidiary	Horizon Nuclear Power Wylfa Ltd.	Indirect: 100.0%	*	Loan (Note 4)	(88,559)	-	-
Subsidiary	Hitachi International (Holland)B.V.	Direct: 100.0%	*	Deposit paid (Note 7)	(366)	Current assets - Others	48,578
Subsidiary	Hitachi High-Technologies Corporation	Direct: 51.8%	Sale of the Company's products, etc.	Deposit received (Note 6)	1,152	Deposit received	158,937
Subsidiary	Hitachi Building Systems Co., Ltd.	Direct: 100.0%	Manufacturing and sale of products developed by the Company *	Deposit received (Note 6)	6,378	Deposit received	97,169

(Millions of yen)

Attribute	Name of company etc.	% of voting rights held	Relationship with the related parties	Description of transaction	Transaction amount	Classification	Year-end balance
Subsidiary	Hitachi Systems, Ltd.	Direct: 100.0%	Outsourcing of the Company's software development, outsourcing of maintenance of the Company's telecommunications equipment *	Deposit received (Note 6)	(38,649)	Deposit received	43,190
Subsidiary	Hitachi Solutions, Ltd.	Direct: 100.0%	Outsourcing of the Company's information systems and software development *	Deposit received (Note 6)	(27,617)	Deposit received	37,547
Subsidiary	Hitachi Chemical Business Service Co., Ltd.	Indirect: 100.0%	Deposit received, etc.	Deposit received (Note 6)	519	Deposit received	15,681
Subsidiary	Hitachi Rail Italy S.p.A. (Note 2)	Indirect: 100.0%	Manufacturing, sale, engineering and maintenance of the Group's products *	Guarantee	143,824	-	-
Subsidiary	Ansaldo STS S.p.A. (Note 3)	Indirect: 100.0%	Manufacturing, sale, engineering and maintenance of the Group's products *	Guarantee	43,062	-	-
Affiliate	Hitachi Kokusai Electric Inc.	Direct: 20.0%	Purchase of Hitachi Kokusai Electric's products *	Transfer of shares of Hitachi Kokusai Electric Inc. (Note 8)		-	-
				Transfer price	99,241		
				Gain on sale	75,773		
				Deposit received (Note 6)	(50,067)	-	-
Affiliate	Mitsubishi Hitachi Power Systems Africa (Pty) Ltd.	Indirect: 35.0%	Loans	Loan (Note 4)	-	Long-term loan receivables	70,000
				Loan (Note 4)	-	Short-term loan receivables	7,718

\* The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers at the subsidiary and the affiliate.

Notes: 1. Hitachi Rail Europe Ltd. changed its company name to Hitachi Rail Ltd. on April 1, 2019.

2. Hitachi Rail Italy S.p.A. changed its company name to Hitachi Rail S.p.A. on April 1, 2019.

3. Ansaldo STS S.p.A. changed its company name to Hitachi Rail STS S.p.A. on April 1, 2019.

4. The interest rate was determined with due consideration to market interest rates. The transaction amount of the loans indicates the change from the balance at the beginning of the fiscal year.

5. The Company transferred all stocks of Hitachi Vehicle Energy, Ltd. to a company outside the Group on March 29, 2019. As a result, it is no longer a related party. The transaction amount indicates the amount during the period when it was a related party. The year-end balance indicates the balance at the end of the period in which it ceased to be a related party.

6. These are loans or deposits made based on the pooling system wherein the funds of affiliated companies are concentrated at the Company to be loaned to affiliated companies who have financing needs. The interest rates on loans and deposits are determined with due consideration to market interest rates. The transaction amount indicates the increase or decrease from the balance at the beginning of the fiscal year, including interest received and paid.

7. This is deposit paid by the Company and affiliated companies to be loaned to affiliated companies who have financing needs through overseas financial subsidiaries. The interest rates on deposit are determined with due consideration to market interest rates. The transaction amount indicates the increase from the balance at the beginning of the fiscal year, including interest received.

8. This transfer was made in association with the acquisition of treasury stock by Hitachi Kokusai Electric Inc., in which the transfer price was determined with due consideration to the valuation amount presented by an independent third party.

(Note on Per Share Information)

Net assets per share JPY 1,617.32

Net income per share JPY 180.26

Note: 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 income per share are calculated on the assumption that the Company conducted this consolidation at the beginning of the fiscal year.

(Note on Major Subsequent Events)

Issuance of New Shares as Restricted Stock Compensation

On April 23, 2019, pursuant to the decision made by the President in accordance with the authority delegated by the resolution of the Board of Directors, the Company decided to issue new shares as restricted stock compensation to Executive Officers and Corporate Officers (hereinafter the “Eligible Persons”), 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 Eligible Persons will make an in-kind contribution of monetary compensation receivables granted under the restricted stock compensation plan in order to purchase of shares of common stock of the Company to be issued.

Payment date	May 31, 2019
Class and number of shares to be issued	587,800 shares of Hitachi’s common stock
Issue price	3,647 yen per share
Total amount of issuance	2,143,706,600 yen
Allottees, number of Allottees and number of shares to be allotted	37 Executive Officers: 472,600 shares 34 Corporate Officers: 115,200 shares

Conclusion of Stock transfer agreement

On April 23, 2019, the Company signed an agreement with JR Intermediate Holdings, LLC (hereinafter “JR Intermediate”) to acquire robotic systems integration business mainly operated by JR Automation Technologies, LLC, an American subsidiary of JR Intermediate, in order to expand global business of robotic systems integration business. The acquisition is expected to be executed by the end of 2019. The consideration is expected to be USD 1,425 million (JPY 158,161 million).

(Additional Information)

Acquisition of stock

On December 17, 2018, the Company decided to acquire the power grids business from ABB Ltd (hereinafter “ABB”) and signed an agreement with ABB in order to strengthen and expand energy solutions business globally. The Company plans to acquire an 80.1% stake in the company operating the power grids business that will be divested by ABB in the first half of 2020. The consideration is expected to be approximately USD 6.4 billion (approximately JPY 710.3 billion).

## 8. Transcript of Accounting Auditors' Audit Report on Consolidated Financial Statements

### REPORT OF INDEPENDENT AUDITORS

May 9, 2019

Mr. Toshiaki Higashihara, President & CEO

Hitachi, Ltd.

Ernst & Young ShinNihon LLC

Takashi Ouchida  
Certified Public Accountant  
Designated and Engagement Partner

Takuya Tanaka  
Certified Public Accountant  
Designated and Engagement Partner

Ken Sudo  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statements of financial position, the consolidated statements of profit or loss, the consolidated statements of changes in equity and the notes to the consolidated financial statements of Hitachi, Ltd. (the "Company") applicable to the fiscal year from April 1, 2018 through March 31, 2019.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards with certain disclosure items omitted pursuant to the second sentence of Article 120, Section 1 of the Ordinance on Accounting of Companies, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

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

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

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

#### Opinion

In our opinion, the consolidated financial statements prepared in accordance with International Financial Reporting Standards with certain disclosure items omitted pursuant to the second sentence of Article 120, Section 1 of the Ordinance on Accounting of Companies referred to above present fairly, in all material respects, the financial position and results of operations of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2019.

#### Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

#### (Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the consolidated financial statements of the Company, prepared in Japanese, for the fiscal year ended March 31, 2019. Ernst & Young ShinNihon LLC has not audited the English language version of the consolidated financial statements for the above-mentioned year.