[Translation]

Quarterly Report

(The First Quarter of 149th Business Term)

From April 1, 2017 to June 30, 2017

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

Hitachi, Ltd.

[Cover]

[Document Filed]	Quarterly Report (“Shihanki Hokokusho”)
[Applicable Law]	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	August 7, 2017
[Fiscal Year]	The First Quarter of 149th Business Term (from April 1, 2017 to June 30, 2017)
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & CEO
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Phone No.]	03-3258-1111
[Contact Person]	Masachika Sawada, Manager, Legal Division
[Contact Address]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Phone No.]	03-3258-1111
[Contact Person]	Masachika Sawada, Manager, Legal Division
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

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

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

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

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

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

Contents

Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

	Three months ended June 30, 2016	Three months ended June 30, 2017	Year ended March 31, 2017
Revenues	2,130,467	2,088,669	9,162,264
Income from continuing operations, before income taxes	109,754	141,553	469,091
Net income attributable to Hitachi, Ltd. stockholders	56,450	75,068	231,261
Comprehensive income attributable to Hitachi, Ltd. stockholders	(109,564)	80,331	299,397
Total Hitachi, Ltd. stockholders' equity	2,596,434	3,013,091	2,967,085
Total equity	3,821,494	4,165,236	4,096,995
Total assets	11,658,434	9,691,466	9,663,917
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	11.69	15.55	47.90
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	11.69	15.54	47.88
Total Hitachi, Ltd. stockholders' equity ratio (%)	22.3	31.1	30.7
Net cash provided by operating activities	84,991	126,933	629,582
Net cash used in investing activities	(81,401)	(104,625)	(337,955)
Net cash provided by (used in) financing activities	34,363	18,855	(209,536)
Cash and cash equivalents at end of period	682,922	813,019	765,242

(Notes) 1. Hitachi's consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

3. A part of the thermal power generation systems business is classified as a discontinued operation in accordance with the provision of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," which was not transferred to MITSUBISHI HITACHI POWER SYSTEMS, LTD. for the business integration in the thermal power generation systems with Mitsubishi Heavy Industries, Ltd. The results of the discontinued operation are reported separately from continuing operations.

2. Description of Business

There were no material changes in principal businesses of Hitachi during the three months ended June 30, 2017. The Hitachi Group is comprised of the Company, 864 consolidated subsidiaries, and 380 equity-method associates and joint-ventures.

There were no material changes in principal affiliated companies during the three months ended June 30, 2017.

II. Business Overview

1. Risk Factors

There were no new risk factors recognized during the three months ended June 30, 2017.

There were no material changes in the risk factors stated in the Annual Securities Report for the 148th business term pursuant to the Financial Instruments and Exchange Act of Japan.

2. Material Agreements, etc.

No material agreements were entered into during the three months ended June30, 2017.

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

(1) Outline of Business Results

Results of Operations

During the three months ended June 30, 2017, the global economy expanded at a moderate pace. In the U.S. , consumer spending and capital investment remained firm. In Europe, mainly in Germany, the economy continued to recover slowly. In China, government spending underpinned economic growth, while a pick-up in exports in Southeast Asia and India among other regions put emerging economies on track to recovery. The Japanese economy has continued its moderate recovery trend, reflecting firm consumer spending due to improving employment and income and upward trend in capital investment.

Under these conditions, results of operations in the three months ended June 30, 2017 were as follows.

Revenues decreased 2% to ¥2,088.6 billion, as compared with the three months ended June 30, 2016, due mainly to the conversion of Hitachi Transport System, Ltd. and Hitachi Capital Corporation to equity-method associates and deconsolidation of Hitachi Koki Co., Ltd. in the year ended March 31, 2017.

Cost of sales decreased 3% to ¥1,529.8 billion and the ratio of cost of sales to revenues decreased 1% to 73% , as compared with the three months ended June 30, 2016 respectively. Gross profit increased 2% to ¥558.7 billion, as compared with the three months ended June 30, 2016.

Selling, general and administrative expenses (“SG&A”) decreased 6% to ¥426.9 billion, as compared with the three months ended June 30, 2016, and the ratio of SG&A to revenues was 20%, a decrease of 1% compared with the three months ended June 30, 2016.

Other income decreased ¥44.5 billion to ¥0.6 billion, as compared with the three months ended June 30, 2016, due mainly to the absense of net gain on business reorganization and others related to the sale of a part of shares of Hitachi Transport System, Ltd. recorded in the three months ended June 30, 2016. Other expenses decreased ¥1.0 billion to ¥10.9 billion, as compared with the three months ended June 30, 2016, due mainly to lower impairment losses, despite posting expenses related to competition law and others.

Financial income (excluding interest income) increased ¥1.1 billion to ¥4.6 billion and financial expenses (excluding interest charges) decreased ¥13.0 billion to ¥0.4 billion, as compared with the three months ended June 30, 2016, due mainly to improvement in exchange gain (loss).

Share of profits of investments accounted for using the equity method was ¥17.5 billion, as compared with the share of loss of ¥2.2billion for the three months ended June 30, 2016.

EBIT (earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges) increased ¥30.8 billion to ¥143.2 billion, as compared with the three months ended June 30, 2016.

Interest income increased ¥0.6 billion to ¥3.1 billion and interest charges decreased ¥0.3 billion to ¥4.9 billion, as compared with the three months ended June 30, 2016, respectively.

Income from continuing operations, before income taxes increased ¥31.7 billion to ¥141.5 billion, as compared with the three months ended June 30, 2016.

Income taxes increased ¥1.8 billion to ¥35.1 billion, as compared with the three months ended June 30, 2016.

Loss from discontinued operations was ¥70 million, as compared with the income of ¥0.4 billion for the three months ended June 30, 2016.

Net income increased ¥29.4 billion to ¥106.2 billion, as compared with the three months ended June 30, 2016.

Net income attributable to non-controlling interests increased ¥10.8 billion to ¥31.2 billion, as compared with the three months ended June 30, 2016.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased ¥18.6 billion to ¥75.0 billion, as compared with the three months ended June 30, 2016.

Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions. Segment profit is measured by EBIT. Since Hitachi Capital Corporation, which belonged to the Financial Services segment, was converted into an equity-method associate in October 2016, the Financial Services segment is not presented as a reportable segment from the year ending March 31, 2018.

(Information & Telecommunication Systems)

Revenues were ¥434.7 billion, which were same level as the three months ended June 30, 2016, due mainly to higher revenues from the system integration business for the Japanese market, despite decreased sales of storage and ATMs in Japan.

Segment profit increased ¥25.1 billion to ¥25.9 billion, as compared with the three months ended June 30, 2016, due mainly to the effect of structural reform centered on the storage business, a decrease in restructuring charges and improvement in exchange profit (loss).

(Social Infrastructure & Industrial Systems)

Revenues were ¥478.7 billion, which were the same level as the three months ended June 30, 2016, due mainly to revenue increase in railway systems business resulting from a rise in the sales of high-speed trains for the U.K., despite the withdrawal from low-profitable business in the industry and distribution field and lower revenues in the large industrial products business owing to sluggish market conditions affected by low oil price.

Segment profit was ¥16.5 billion, as compared with the loss of ¥6.1 billion for three months ended June 30, 2016, due mainly to the withdrawal from low-profitable business in the industry and distribution field, an improvement in profitability of industrial products business, higher earnings resulting from increased sales in railway systems business and an improvement in share of profits of investments accounted for using the equity method.

(Electronic Systems & Equipment)

Revenues decreased 4% to ¥245.1 billion, as compared with the three months ended June 30, 2016, due mainly to the deconsolidation of Hitachi Koki Co., Ltd. as a result of the sale of shares in Hitachi Koki in the year ended March 31, 2017, despite increased revenues at Hitachi Kokusai Electric Inc. and Hitachi High-Technologies Corporation owing to higher sales of semiconductor production equipment.

. Segment profit increased ¥7.4 billion to ¥18.9 billion, as compared with the three months ended June 30, 2016, due mainly to higher earnings at Hitachi Kokusai Electric Inc. resulting from higher revenues.

(Construction Machinery)

Revenues increased 31% to ¥211.4 billion, as compared with the three months ended June 30, 2016, due mainly to increased sales of construction machinery in China and other countries, and the consolidation of Bradken Limited in Australia, H-E Parts International LLP and HEP Australia Holdings Pty Ltd in the U.S. by Hitachi Construction Machinery Co., Ltd. in the year ended March 31, 2017. This increase was partially offset by the impact of conversion of Hitachi Sumitomo Heavy Industries Construction Crane Co., Ltd. into an equity-method associate.

Segment profit increased ¥16.4 billion to ¥17.8 billion, as compared with the three months ended June 30, 2016, due mainly to the increased revenues.

(High Functional Materials & Components)

Revenues increased 12% to ¥393.3 billion, as compared with the three months ended June 30, 2016, due mainly to increased sales of the electronics- and automotive-related products at Hitachi Metals, Ltd. and Hitachi Chemical Co., Ltd., and the acquisition of FIAMM Energy Technology S.p.A. in Italy by Hitachi Chemical Co., Ltd., in the year ended March 31, 2017.

Segment profit increased ¥10.6 billion to ¥34.0 billion, as compared with the three months ended June 30, 2016, due mainly to higher revenues and an improvement in exchange profit (loss).

(Automotive Systems)

Revenues increased 5% to ¥244.1 billion, as compared with the three months ended June 30, 2016, due mainly to increased sales of automotive parts mainly in China, where the demand for new cars was firm, and in the Japanese market where new car sales also remained firm.

Segment profit increased ¥2.0 billion to ¥9.8 billion, as compared with the three months ended June 30, 2016, due mainly to higher revenues.

(Smart Life & Ecofriendly Systems)

Revenues decreased 6% to ¥131.1 billion, as compared with the three months ended June 30, 2016, due mainly to the sluggish demand in Southeast Asia and lower sales from a part of the home appliances products in Japan.

Segment profit increased ¥4.0 billion to ¥7.4 billion, as compared with the three months ended June 30, 2016, due mainly to the effect of cost reduction efforts and an increase in share of profits of investments accounted for using the equity method.

(Others)

Revenues decreased 38% to ¥132.8 billion, as compared with the three months ended June 30, 2016, due mainly to the conversion of Hitachi Transport System, Ltd. to an equity-method associate in May 2016.

Segment profit decreased ¥2.0 billion to ¥2.8 billion, as compared with the three months ended June 30, 2016, due mainly to lower revenues.

Revenues by Market

Revenues in Japan decreased 7% to ¥976.0 billion, as compared with the three months ended June 30, 2016, due mainly to lower revenues in the Others segment, in which Hitachi Transport System, Ltd. was converted to an equity-method associate, and the Electronic Systems & Equipment segment, in which Hitachi Koki Co., Ltd. was deconsolidated. This decrease was partially offset by higher revenues in the High Functional Materials & Components and the Automotive Systems Segments.

Overseas revenues increased 3% to ¥1,112.6 billion, as compared with the three months ended June 30, 2016, due mainly to higher revenues in Asia mainly in the Electronic Systems & Equipment and the Construction Machinery Segments, despite lower revenues in Europe and North America.

As a result, the ratio of overseas revenues to total revenues increased 2% to 53%, as compared with the three months ended June 30, 2016.

(2) Summary of Financial Condition, etc.

Liquidity and Capital Resources

During the three months ended June 30, 2017, there were no major changes in the Company's policies of maintaining liquidity and ensuring funds, efforts for improvement in fund management efficiency, and ideas regarding funding sources and fundraising.

Cash Flows

(Cash flows from operating activities)

Net income in the three months ended June 30, 2017 increased by ¥29.4 billion, as compared with the three months ended June 30, 2016. Net cash provided by operating activities was ¥126.9 billion in the three months ended June 30, 2017, an increase of ¥41.9 billion as compared with the three months ended June 30, 2016, due mainly to an increase of ¥80.7 billion in net cash inflow from a change in trade receivables, despite an increase of ¥71.3 billion in net cash outflow from a change in trade payables, as compared with the three months ended June 30, 2016.

(Cash flows from investing activities)

Net amount of investments related to property, plant and equipment* was ¥96.9 billion in the three months ended June 30, 2017. This net sum decreased by ¥29.0 billion as compared with the three months ended June 30, 2016. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the three months ended June 30, 2017 increased by ¥23.0 billion, as compared with the three months ended June 30, 2016, due mainly to spending on the acquisitions of Bradken Limited. Net proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the three months ended June 30, 2017 decreased by ¥27.3 billion, as compared with the three months ended June 30, 2016, in which the transfer of a part of shares of Hitachi Transport System, Ltd. was conducted. As a result of the foregoing, net cash used in investing activities was ¥104.6 billion in the three months ended June 30, 2017, an increase of ¥23.2 billion compared with the three months ended June 30, 2016.

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

(Cash flows from financing activities)

Net cash inflow from a change in short-term debt in the three months ended June 30, 2017 increased by ¥53.9 billion, as compared with the three months ended June 30, 2016. Proceeds related to long-term debt** in three months ended June 30, 2017 decreased by ¥67.8 billion, as compared with the three months ended June 30, 2016. As a result of the foregoing, net cash provided by financing activities was ¥18.8 billion in the three months ended June 30, 2017, a decrease of ¥15.5 billion compared as the three months ended June 30, 2016.

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

As a result of the foregoing, cash and cash equivalents as of June 30, 2017 was ¥813.0 billion, an increase of ¥47.7 billion from March 31, 2017. Free cash flows, the sum of cash flows from operating and investing activities, were an inflow of ¥22.3 billion in the three months ended June 30, 2017, an increase of ¥18.7 billion in the three months ended June 30, 2016.

Assets, Liabilities and Equity

The following is an overview of Hitachi's assets, liabilities and equity as of June 30, 2017.

Total assets were ¥9,691.4 billion, an increase of ¥27.5 billion from March 31, 2017.

Total interest-bearing debt, the sum of short-term debt and long-term debt, was ¥1,268.1 billion, an increase of ¥91.5 billion from March 31, 2017.

Total Hitachi, Ltd. stockholders' equity increased by ¥46.0 billion from March 31, 2017, to ¥3,013.0 billion, due mainly to posting net income attributable to Hitachi, Ltd. stockholders. The ratio of total Hitachi, Ltd. stockholders' equity to total assets increased 0.4% from March 31, 2017 to 31.1%.

Non-controlling interests were ¥1,152.1 billion, an increase of ¥22.2 billion from March 31, 2017.

Total equity was ¥4,165.2 billion, an increase of ¥68.2 billion from March 31, 2017. The ratio of interest-bearing debt to total equity was 0.30, as compared with 0.29 as of March 31, 2017.

(3) Management Policy

There were no material changes in Hitachi's management policy during the three months ended June 30 , 2017.

(4) Challenges Facing Hitachi Group

1) Business and Financial Condition

There were no material changes in Hitachi's business strategy during the three months ended June 30 , 2017.

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

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

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

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

5) Research and Development

There were no material changes in the research and development of the Hitachi Group (the Company and consolidated subsidiaries) stated in the Annual Securities Report for the 148th business term pursuant to the Financial Instruments and Exchange Act of Japan. The Hitachi Group's R&D expenditures in the three months ended June 30, 2017 were ¥74.2 billion, equivalent to 3.6% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Three months ended June 30, 2017
Information & Telecommunication Systems	12.1
Social Infrastructure & Industrial Systems	11.9
Electronic Systems & Equipment	10.5
Construction Machinery	4.5
High Functional Materials & Components	11.2
Automotive Systems	15.8
Smart Life & Ecofriendly Systems	1.7
Others	0.7
Corporate	5.3
Total	74.2

(6) Forward-Looking Statements

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

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

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

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

III. Information on the Company

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

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	10,000,000,000
Total	10,000,000,000

2) Issued shares

Class	Number of shares issued as of the end of first quater (shares) (June 30, 2017)	Number of shares issued as of the filing date (shares) (August 7, 2017)	Stock exchange on which the Company is listed	Description
Common stock	4,833,463,387	4,833,463,387	Tokyo, Nagoya	The number of shares per one unit of shares is 1,000 shares.
Total	4,833,463,387	4,833,463,387	―	―

(Note) The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from August 1, 2017 to August 7, 2017.

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

The stock acquisition rights which the Company issued during the three months ended June 30, 2017 are as follows.

Date of resolution	April 6, 2017
Number of stock acquisition rights	22,906
Number of stock acquisition rights held by the Company	―
Class of shares to be issued upon exercise of stock acquisition rights	Common stock
Number of shares to be issued upon exercise of stock acquisition rights	2,290,600 shares (Note 1)
Amount to be paid in upon exercise of stock acquisition rights	¥1 per share
Exercise period of stock acquisition rights	From April 27, 2017 to April 26, 2047
Issue price for shares issued upon exercise of stock acquisition rights and amount of capitalization	Issue price: ¥368.6 (Note 2) Amount of capitalization: (Note 3)
Conditions for the exercise of stock acquisition rights	(Note 4, 5)
Matters regarding acquisition of stock acquisition rights through transfer	Acquisition of stock acquisition rights through transfer shall be subject to the approval of the Board of Directors.
Matters regarding substitute payment	―
Matters regarding grant of stock acquisition rights upon organizational restructuring	(Note 6)

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

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

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

2. Issue price for shares issued upon exercise of stock acquisition rights is the sum of the amount to be paid in upon exercise of stock acquisition rights (¥1 per share) and the fair value of the stock acquisition right as calculated at the date of allotment.
3. The amount of common stock to be increased upon issuing shares through the exercise of stock acquisition rights shall be one half of the maximum amount of common stock, etc. to be increased calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Company Accounting. Any fractions of less than one yen resulting from the calculation shall be rounded up to the nearest yen.

4. A holder of stock acquisition rights may exercise all the stock acquisition rights together only within 10 days (in case the last day is not a business day, the following business day) from the day immediately following the date on which he/she ceases to be an Executive Officer, a Director or a Corporate Officer of the Company.
5. The number of stock acquisition rights which a holder of stock acquisition rights may exercise shall be determined based on the ratio of (i) the total shareholder return for shares of Hitachi for three years from the beginning of the fiscal year in which the date of allotment of the stock acquisition rights falls to (ii) the growth rate of TOPIX (Tokyo Stock Price Index) for the same period (the "TSR/TOPIX Growth Rate Ratio"), in accordance with the stock price conditions:
    a. In case the TSR/TOPIX Growth Rate Ratio is 120% or more
       All the stock acquisition rights allotted (the "Allotted Rights") may be exercised.
    b. In case the TSR/TOPIX Growth Rate Ratio is 80% or more but less than 120%
       Only a part of the Allotted Rights may be exercised according to the degree of the TSR/TOPIX Growth Rate Ratio (*).

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

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

(3) Information on moving strike convertible bonds, etc.
Not applicable.

(4) Information on shareholder right plans
Not applicable.

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

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From April 1, 2017 to June 30, 2017	−	4,833,463,387	−	458,790	−	176,757

(6) Major shareholders

Not applicable.

(7) Information on voting rights

Information on voting rights as of March 31, 2017 is stated in this item because the Company does not identify the number of voting rights as of June 30, 2017 due to the lack of information on the number of the Company's shares held by the entity which the Company holds one quarter or more of total number of voting rights of such entity as of June 30, 2017.

1) Issued shares

(As of March 31, 2017)

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

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

2) Treasury stock, etc.

(As of March 31, 2017)

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

2. Changes in Senior Management

There were no changes in senior management from the filing date of the Annual Securities Report for the 148th business term pursuant to the Financial Instruments and Exchange of Act of Japan to June 30 , 2017.

IV. Financial Information

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

Part II Information on Guarantors, etc. for the Company

Not applicable.

Condensed Quarterly Consolidated Financial Statements

Condensed Quarterly Consolidated Statement of Financial Position

Millions of yen

	June 30, 2017	March 31, 2017
Assets		
Current assets		
Cash and cash equivalents	813,019	765,242
Trade receivables	2,198,191	2,433,149
Inventories	1,368,312	1,225,907
Investments in securities and other financial assets (note 2 and 6)	387,345	388,792
Other current assets (note 2)	244,726	189,516
Total current assets	5,011,593	5,002,606
Non-current assets		
Investments accounted for using the equity method	704,860	691,251
Investments in securities and other financial assets (note 2 and 6)	709,266	758,350
Property, plant and equipment	2,018,447	1,998,411
Intangible assets	938,391	919,201
Other non-current assets	308,909	294,098
Total non-current assets	4,679,873	4,661,311
Total assets	9,691,466	9,663,917
Liabilities		
Current liabilities		
Short-term debt	329,980	196,357
Current portion of long-term debt (note 6)	134,926	190,233
Other financial liabilities (note 6)	294,569	274,270
Trade payables	1,365,719	1,402,233
Accrued expenses	565,020	687,905
Advances received	519,322	472,132
Other current liabilities	470,605	497,729
Total current liabilities	3,680,141	3,720,859
Non-current liabilities		
Long-term debt (note 6)	803,213	790,013
Retirement and severance benefits	630,362	635,684
Other non-current liabilities (note 2)	412,514	420,366
Total non-current liabilities	1,846,089	1,846,063
Total liabilities	5,526,230	5,566,922
Equity		
Hitachi, Ltd. stockholders' equity		
Common stock	458,790	458,790
Capital surplus	577,041	577,573
Retained earnings (note 7)	1,843,440	1,793,570
Accumulated other comprehensive income	137,733	141,068
Treasury stock, at cost	(3,913)	(3,916)
Total Hitachi, Ltd. stockholders' equity	3,013,091	2,967,085
Non-controlling interests	1,152,145	1,129,910
Total equity	4,165,236	4,096,995
Total liabilities and equity	9,691,466	9,663,917

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Three months ended June 30, 2017 and 2016 — Millions of yen

	2017	2016
Revenues	2,088,669	2,130,467
Cost of sales	(1,529,896)	(1,584,227)
Gross profit	558,773	546,240
Selling, general and administrative expenses	(426,932)	(454,757)
Other income (note 8)	604	45,174
Other expenses (note 8)	(10,903)	(11,942)
Financial income (note 9)	4,649	3,480
Financial expenses (note 9)	(474)	(13,524)
Share of profits (losses) of investments accounted for using the equity method	17,577	(2,200)
EBIT (Earnings before interest and taxes)	143,294	112,471
Interest income	3,190	2,545
Interest charges	(4,931)	(5,262)
Income from continuing operations, before income taxes	141,553	109,754
Income taxes	(35,194)	(33,385)
Income from continuing operations	106,359	76,369
Income (loss) from discontinued operations (note 10)	(70)	433
Net income	106,289	76,802
Net income attributable to:		
Hitachi, Ltd. stockholders	75,068	56,450
Non-controlling interests	31,221	20,352
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders (note 11)		
Basic	15.56	11.60
Diluted	15.55	11.60
Earnings per share attributable to Hitachi, Ltd. stockholders (note 11)		
Basic	15.55	11.69
Diluted	15.54	11.69

Condensed Quarterly Consolidated Statement of Comprehensive Income

Three months ended June 30, 2017 and 2016 — Millions of yen

	2017	2016
Net income	106,289	76,802
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(15,378)	(31,479)
Remeasurements of defined benefit plans	-	(464)
Share of OCI of investments accounted for using the equity method	576	(488)
Total items not to be reclassified into net income	(14,802)	(32,431)
Items that can be reclassified into net income		
Foreign currency translation adjustments	18,244	(181,068)
Net changes in cash flow hedges	2,654	10,736
Share of OCI of investments accounted for using the equity method	7,401	(25,732)
Total items that can be reclassified into net income	28,299	(196,064)
Other comprehensive income (OCI)	13,497	(228,495)
Comprehensive income (loss)	119,786	(151,693)
Comprehensive income (loss) attributable to:		
Hitachi, Ltd. stockholders	80,331	(109,564)
Non-controlling interests	39,455	(42,129)

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Changes in Equity

Three months ended June 30, 2017

Millions of yen

2017	Common stock	Capital surplus	Retained earnings (note 7)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of period	458,790	577,573	1,793,570	141,068	(3,916)	2,967,085	1,129,910	4,096,995
Changes in equity								
Reclassified into retained earnings	-	-	8,598	(8,598)	-	-	-	-
Net income	-	-	75,068	-	-	75,068	31,221	106,289
Other comprehensive income	-	-	-	5,263	-	5,263	8,234	13,497
Dividends to Hitachi, Ltd. stockholders	-	-	(33,796)	-	-	(33,796)	-	(33,796)
Dividends to non-controlling interests	-	-	-	-	-	-	(17,130)	(17,130)
Acquisition of treasury stock	-	-	-	-	(45)	(45)	-	(45)
Sales of treasury stock	-	(25)	-	-	48	23	-	23
Changes in non-controlling interests	-	(507)	-	-	-	(507)	(90)	(597)
Total changes in equity	-	(532)	49,870	(3,335)	3	46,006	22,235	68,241
Balance at end of period	458,790	577,041	1,843,440	137,733	(3,913)	3,013,091	1,152,145	4,165,236

Three months ended June 30, 2016

Millions of yen

2016	Common stock	Capital surplus	Retained earnings (note 7)	Accumulated other comprehensive income(loss)	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 5)	Total equity
Balance at beginning of period	458,790	586,790	1,609,761	83,543	(3,806)	2,735,078	1,390,492	4,125,570
Changes in equity								
Reclassified into retained earnings	-	-	1,268	(1,268)	-	-	-	-
Net income	-	-	56,450	-	-	56,450	20,352	76,802
Other comprehensive loss	-	-	-	(166,014)	-	(166,014)	(62,481)	(228,495)
Dividends to Hitachi, Ltd. stockholders	-	-	(28,969)	-	-	(28,969)	-	(28,969)
Dividends to non-controlling interests	-	-	-	-	-	-	(20,551)	(20,551)
Acquisition of treasury stock	-	-	-	-	(23)	(23)	-	(23)
Sales of treasury stock	-	(3)	-	-	8	5	-	5
Changes in non-controlling interests	-	(85)	-	(8)	-	(93)	(102,752)	(102,845)
Total changes in equity	-	(88)	28,749	(167,290)	(15)	(138,644)	(165,432)	(304,076)
Balance at end of period	458,790	586,702	1,638,510	(83,747)	(3,821)	2,596,434	1,225,060	3,821,494

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Cash flows

Three months ended June 30, 2017 and 2016		Millions of yen
	2017	2016
Cash flows from operating activities:		
Net income	106,289	76,802
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	87,211	116,425
Impairment losses	471	5,650
Income taxes	35,210	33,408
Share of (profits) loss of investments accounted for using the equity method	(17,577)	2,200
Financial income and expenses	(2,429)	(450)
Net (gain) loss on business reorganization and others	8	(44,723)
(Gain) loss on sale of property, plant and equipment	(60)	2,423
Change in trade receivables	311,857	231,126
Change in inventories	(137,106)	(120,572)
Change in other assets	(2,577)	(58,769)
Change in trade payables	(72,344)	(971)
Change in retirement and severance benefits	(6,208)	(10,020)
Change in other liabilities	(87,234)	(85,043)
Other	(4,350)	(337)
Subtotal	211,161	147,149
Interest received	3,174	2,502
Dividends received	6,712	3,848
Interest paid	(5,596)	(5,779)
Income taxes paid	(88,518)	(62,729)
Net cash provided by (used in) operating activities	126,933	84,991
Cash flows from investing activities		
Purchase of property, plant and equipment	(78,909)	(82,462)
Purchase of intangible assets	(21,595)	(20,251)
Purchase of leased assets	(1,320)	(122,009)
Proceeds from sale of property, plant and equipment, and intangible assets	3,603	5,545
Proceeds from sale of leased assets	1,253	4,098
Collection of lease receivables	-	89,074
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(32,299)	(9,205)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	29,809	57,140
Other	(5,167)	(3,331)
Net cash provided by (used in) investing activities	(104,625)	(81,401)
Cash flows from financing activities		
Change in short-term debt, net	115,435	61,445
Proceeds from long-term debt	21,118	150,121
Payments on long-term debt	(67,504)	(128,638)
Proceeds from payments from non-controlling interests	257	-
Dividends paid to Hitachi, Ltd. stockholders	(33,838)	(29,007)
Dividends paid to non-controlling interests	(16,559)	(18,301)
Acquisition of common stock for treasury	(45)	(23)
Proceeds from sales of treasury stock	28	5
Purchase of shares of consolidated subsidiaries from non-controlling interests	(22)	(1,294)
Proceeds from partial sales of shares of consolidated subsidiaries to non-controlling interests	-	60
Other	(15)	(5)
Net cash provided by (used in) financing activities	18,855	34,363
Effect of exchange rate changes on cash and cash equivalents	6,614	(54,346)
Change in cash and cash equivalents	47,777	(16,393)
Cash and cash equivalents at beginning of period	765,242	699,315
Cash and cash equivalents at end of period	813,019	682,922

See accompanying notes to condensed quarterly consolidated financial statements.

Notes to Condensed Quarterly Consolidated Financial Statements
June 30, 2017

(1) Nature of Operations

Hitachi, Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The condensed quarterly consolidated financial statements of the Company as of and for the three months ended June 30, 2017 comprise the Company, its subsidiaries, and the Company's interests in associates and joint ventures. The Company's and its subsidiaries' businesses are global and diverse, and include manufacturing and services in eight segments consisting of information and telecommunication systems, social infrastructure and industrial systems, electronic systems and equipment, construction machinery, high functional materials and components, automotive systems, smart life and ecofriendly systems and others.

(2) Basis of Presentation

As the Company meets the requirements of a "Specified Company" pursuant to Article 1-2 of the Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), the condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting," as permitted by the provision of Article 93 of the Ordinance. They do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the financial statements and notes included in the Company's annual consolidated financial statements for the year ended March 31, 2017.

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

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

Judgments, estimates and assumptions that could have a material effect on these condensed quarterly consolidated financial statements are basically the same as those disclosed in the Company's annual consolidated financial statements for the year ended March 31, 2017.

Regarding the condensed quarterly consolidated statement of financial position as of June 30, 2017, changes in presentation have been made due to materiality of some accounts balances as a result of business reorganization and others. "Investments in securities and other financial assets," which were included in "Other current assets" as of March 31, 2017, have been reclassified and presented separately. "Lease receivables," which were separately presented under current and non-current assets, have been included in "Investments in securities and other financial assets" under current and non-current assets, respectively. "Other financial liabilities," which were separately presented under non-current liabilities, have been included in "Other non-current liabilities." The consolidated statement of financial position as of March 31, 2017 has been reclassified in order to reflect these changes in presentation.

As a result, regarding the consolidated statement of financial position as of March 31, 2017, "Other current assets" of ¥346,427 million have been reclassified as "Investments in securities and other financial assets." In addition, "Lease receivables" of ¥42,365 million and ¥38,646 million, which were presented separately under current and non-current assets, have been reclassified as "Investments in securities and other financial assets" under current and non-current assets, respectively. "Other financial liabilities" of ¥53,422 million, which were presented separately under non-current liabilities, have been reclassified as "Other non-current liabilities."

(3) Significant Accounting Policies

Significant accounting policies adopted in preparation of the condensed quarterly consolidated financial statements are consistent with those used in the preparation of the Company's annual consolidated financial statements for the year ended March 31, 2017.

Income taxes for the three months ended June 30, 2017 are computed using the estimated annual effective tax rate.

(4) Segment Information

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

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

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

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

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

Construction Machinery:
Hydraulic excavators, Wheel loaders and Mining machinery

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

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

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

Others:
Optical disk drives, Property management and others

In October 2016, the Company sold a certain number of shares of Hitachi Capital Corporation (Hitachi Capital). As a result, Hitachi Capital and its subsidiaries, which were included in the Financial Services segment, became equity-method associates of the Company. Accordingly, from the beginning of the third quarter of the year ended March 31, 2017, the Company includes its share of profit (loss) of investments accounted for using the equity method of Hitachi Capital and its subsidiaries in Corporate items and Eliminations.

The following tables show business segment information for the three months ended June 30, 2017 and 2016.

Revenues from Outside Customers

Millions of yen

	2017	2016
Information & Telecommunication Systems	408,856	389,412
Social Infrastructure & Industrial Systems	432,584	426,175
Electronic Systems & Equipment	219,536	231,539
Construction Machinery	211,416	158,529
High Functional Materials & Components	380,598	338,040
Automotive Systems	243,518	232,238
Smart Life & Ecofriendly Systems	123,642	132,654
Others	67,733	136,164
Financial Services	-	84,921
Subtotal	2,087,883	2,129,672
Corporate items	786	795
Total	2,088,669	2,130,467

Revenues from Intersegment Transactions

Millions of yen

	2017	2016
Information & Telecommunication Systems	25,928	45,666
Social Infrastructure & Industrial Systems	46,127	56,877
Electronic Systems & Equipment	25,572	24,390
Construction Machinery	83	2,773
High Functional Materials & Components	12,756	13,369
Automotive Systems	670	683
Smart Life & Ecofriendly Systems	7,525	7,175
Others	65,157	76,940
Financial Services	-	4,363
Subtotal	183,818	232,236
Corporate items and Eliminations	(183,818)	(232,236)
Total	-	-

Total Revenues

Millions of yen

	2017	2016
Information & Telecommunication Systems	434,784	435,078
Social Infrastructure & Industrial Systems	478,711	483,052
Electronic Systems & Equipment	245,108	255,929
Construction Machinery	211,499	161,302
High Functional Materials & Components	393,354	351,409
Automotive Systems	244,188	232,921
Smart Life & Ecofriendly Systems	131,167	139,829
Others	132,890	213,104
Financial Services	-	89,284
Subtotal	2,271,701	2,361,908
Corporate items and Eliminations	(183,032)	(231,441)
Total	2,088,669	2,130,467

Segment Profit (Loss)

Millions of yen

	2017	2016
Information & Telecommunication Systems	25,920	757
Social Infrastructure & Industrial Systems	16,528	(6,146)
Electronic Systems & Equipment	18,998	11,500
Construction Machinery	17,862	1,433
High Functional Materials & Components	34,055	23,372
Automotive Systems	9,836	7,800
Smart Life & Ecofriendly Systems	7,412	3,348
Others	2,814	4,824
Financial Services	-	11,222
Subtotal	133,425	58,110
Corporate items and Eliminations	9,869	54,361
Total	143,294	112,471
Interest income	3,190	2,545
Interest charges	(4,931)	(5,262)
Income from continuing operations, before income taxes	141,553	109,754

Segment profit (loss) is measured by EBIT.

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

(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures for the three months ended June 30, 2017, including the period up to the approval date of the condensed quarterly consolidated financial statements.

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

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

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

(b) Acquisition of “Sullair” business

On April 25, 2017, the Company signed an agreement with Accudyne Industries Borrower, S.C.A. (Accudyne) to acquire Accudyne’s subsidiaries and certain related assets that manufacture and sell air compressors under the “Sullair” brand mainly in North America, in order to expand global business of industrial equipment business. In accordance with the agreement, on July 12, 2017 (the acquisition date), the Company and Hitachi America, Ltd., a subsidiary of the Company, acquired the Sullair business by acquiring all the shares of holding companies of the business.

The total consideration, paid in cash, for the shares of the business was USD 836 million (¥92,833 million). Furthermore, Hitachi America, Ltd. repaid USD 517 million (¥57,502 million) of loans which were included in the business, in addition to the acquisition.

Due to the short period of time between the acquisition date and the issuance date of the condensed quarterly consolidated financial statements, the initial accounting for the business combination is incomplete and therefore the Company is unable to provide disclosures related to the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed and the amount of goodwill.

On a pro forma basis, revenues and net income attributable to Hitachi, Ltd. stockholders using an assumed acquisition date for the business of April 1, 2017 would not differ materially from the amounts reported in the condensed quarterly consolidated financial statements for the three months ended June 30, 2017.

The following are the main Business Acquisitions and Divestitures for the three months ended June 30, 2016.

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

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

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

(6) Fair Value of Financial Instruments

(a) Fair Value Measurements

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

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

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

Investments in securities and other financial assets

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

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

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

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

Long-term debt

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

Other financial liabilities

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

(b) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of June 30 and March 31, 2017 are as follows.

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

Millions of yen

	June 30, 2017		March 31, 2017	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets				
Investments in securities and other financial assets				
Lease receivables	80,738	81,491	81,011	82,007
Debt securities	155,484	155,490	155,745	155,751
Long-term loans receivable	102,804	103,529	102,384	103,257
Liabilities				
Long-term debt [1]				
Lease obligations	49,989	50,299	49,703	50,027
Bonds	159,839	163,632	159,820	164,037
Long-term debt	728,311	734,056	770,723	777,341

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

(c) Financial Instruments Measured at Fair Value

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

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

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

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

The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of June 30 and March 31, 2017.

June 30, 2017 Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	-	-	865	865
Debt securities	11,502	6,762	8,799	27,063
Derivatives	-	32,167	6,061	38,228
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	306,796	117	113,543	420,456
Total financial assets at fair value	318,298	39,046	129,268	486,612
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	56,495	-	56,495
Total financial liabilities at fair value	-	56,495	-	56,495

March 31, 2017 Millions of yen

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

The following tables present the changes in Level 3 instruments measured on a recurring basis for the three months ended June 30, 2017 and 2016.

June 30, 2017 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	110,470	8,991	6,061	125,522
Gain (loss) in profit or loss [1]	6	(47)	-	(41)
Gain in OCI [2]	3,791	-	-	3,791
Purchases	517	369	-	886
Sales and redemption	(544)	(521)	-	(1,065)
Acquisitions and divestitures	-	1	-	1
Other	168	6	-	174
Balance at end of period	114,408	8,799	6,061	129,268
Unrealized gain relating to financial assets held at end of period [4]	6	20	-	26

June 30, 2016 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	117,317	38,025	6,061	161,403
Gain (loss) in profit or loss [1]	33	(36)	-	(3)
Loss in OCI [2]	(1,587)	-	-	(1,587)
Purchases	1,624	1,252	-	2,876
Sales and redemption	(411)	(5,616)	-	(6,027)
Acquisitions and divestitures	(3,341)	(567)	-	(3,908)
Transfer from Level 3 [3]	(168)	-	-	(168)
Other	93	(246)	-	(153)
Balance at end of period	113,560	32,812	6,061	152,433
Unrealized gain (loss) relating to financial assets held at end of period [4]	33	(84)	-	(51)

[1] Gain (loss) in profit or loss related to FVTPL financial assets is included in Financial income and Financial expenses in the condensed quarterly consolidated statement of profit or loss.
[2] Gain (loss) in OCI related to FVTOCI financial assets is included in Net changes in financial assets measured at fair value through OCI in the condensed quarterly consolidated statement of comprehensive income.
[3] Transfer from Level 3 is mainly the result of an investee being listed on the stock market.
[4] Unrealized gain (loss) relating to FVTPL financial assets held at the end of period is included in Financial income and Financial expenses in the condensed quarterly consolidated statement of profit or loss.

Written put options on non-controlling interests of subsidiaries are not included in the above table. Such put options are classified as Level 3 financial liabilities measured on a recurring basis, and changes in fair value are recognized in Capital surplus. The fair value of the put options above as of June 30 and March 31, 2017 were ¥15,868 million and ¥14,495 million, respectively, included in Other financial liabilities in the condensed quarterly consolidated statement of financial position.

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

(7) Dividends

Dividends paid on common stock for the three months ended June 30, 2017 are as follows:

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

Dividends paid on common stock for the three months ended June 30, 2016 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 13, 2016	28,969	Retained earnings	6.0	March 31, 2016	May 30, 2016

(8) Other Income and Expenses

The main components of other income and expenses for the three months ended June 30, 2017 and 2016 are as follows:

Millions of yen

	2017	2016
Net gain (loss) on sales and disposals of fixed assets	44	(2,423)
Impairment losses	(471)	(5,650)
Net gain (loss) on business reorganization and others	(8)	44,723
Special termination benefits	(2,578)	(1,424)
Expenses related to competition law and others	(3,920)	-

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

Restructuring charges (structural reform expenses) included in other expenses for the three months ended June 30, 2017 and 2016 were ¥3,049 million and ¥7,074 million, respectively. Restructuring charges (structural reform expenses) mainly include impairment losses and special termination benefits.

(9) Financial Income and Expenses

The main components of financial income and expenses for the three months ended June 30, 2017 and 2016 are as follows:

Millions of yen

	2017	2016
Dividends received	3,232	3,386
Exchange gain (loss)	401	(12,915)

Dividends received for the three months ended June 30, 2017 and 2016 are from FVTOCI financial assets.

(10) Discontinued Operations

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

Profit or loss and cash flows from the discontinued operations for the three months ended June 30, 2017 and 2016 are as follows:

Millions of yen

	2017	2016
Profit or loss from discontinued operations		
Revenues	245	1,127
Cost of sales and expenses	(299)	(671)
Income (loss) from discontinued operations, before taxes	(54)	456
Income taxes	(16)	(23)
Income (loss) from discontinued operations	(70)	433

Millions of yen

	2017	2016
Cash flows from discontinued operations		
Cash flows from operating activities	362	(790)
Cash flows from investing activities	-	-
Cash flows from financing activities	189	415

(11) Earnings Per Share (EPS) Information

The computations of net income attributable to Hitachi, Ltd. stockholders used to derive basic and diluted EPS for the three months ended June 30, 2017 and 2016 are as follows:

Number of shares

	2017	2016
Weighted average number of shares on which basic EPS is calculated	4,828,029,198	4,828,192,248
Effect of dilutive securities		
Stock options	3,924,332	33,771
Number of shares on which diluted EPS is calculated	4,831,953,530	4,828,226,019

Millions of yen

	2017	2016
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	75,138	56,017
Effect of dilutive securities		
Other	-	(0)
Diluted	75,138	56,017
Net income(loss) from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(70)	433
Effect of dilutive securities		
Other	-	-
Diluted	(70)	433
Net income attributable to Hitachi, Ltd. stockholders		
Basic	75,068	56,450
Effect of dilutive securities		
Other	-	(0)
Diluted	75,068	56,450

Yen

	2017	2016
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	15.56	11.60
Diluted	15.55	11.60
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(0.01)	0.09
Diluted	(0.01)	0.09
EPS attributable to Hitachi, Ltd. stockholders		
Basic	15.55	11.69
Diluted	15.54	11.69

(12) Contingencies

(a)***Litigation***

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

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

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

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

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

In August 2012, a subsidiary in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of EUR 1,058 million (¥135,468 million), additional costs and interest allegedly incurred by the delay in the construction process of a power plant against, jointly and severally, the Company, the subsidiary in Europe, a consortium including the Company and the subsidiary in Europe, and two other companies. In addition, in October 2013 and February 2016, the subsidiary in Europe received additional complains requesting compensation for consequential losses of EUR 239 million (¥30,647 million) and EUR 105 million (¥13,390 million), respectively. In June 2016, the Company was informed that the customer added an associate in Europe as one of the defendants. Although the Company, the subsidiary and the associate in Europe and the consortium will vigorously defend themselves against this lawsuit, there can be no assurance that they will not be held liable for any amounts claimed.

In December 2013, the Company, a subsidiary in Europe and a consortium consisting of the Company and the subsidiary in Europe, jointly and severally received a request from a customer in Europe to refer a dispute to arbitration demanding EUR 637 million (¥81,539 million) in compensation for consequential losses allegedly incurred by the delay in the construction process of a power plant. In November 2016, an arbitral award was issued by an arbitral tribunal and the award was paid in February 2017. In addition, a settlement regarding a part of unsettled matters was paid in July 2017. The customer, the Company, the subsidiary

in Europe and the consortium consisting of the Company and the subsidiary in Europe continue their negotiations to achieve a final settlement regarding other unsettled matters.
In addition, in December 2015, these companies, jointly and severally received a request for arbitration from the customer demanding EUR 161 million (¥20,645 million) in compensation primarily for performance related deficiencies of a power plant. As of June 30, 2017, the amount of compensation claimed by the customer was changed to EUR 163 million (¥20,960 million). Although, the Company, the subsidiary in Europe and the consortium consisting of the Company and the subsidiary in Europe will vigorously defend themselves against this lawsuit, there can be no assurance that they will not be held liable for any amounts claimed.

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

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

Depending upon the outcome of the above legal proceedings, there may be an adverse effect on the consolidated financial position or results of operations. Currently, the Company is unable to estimate the adverse effect, if any, of many of these proceedings. Accordingly, except as otherwise stated, no accrual for potential loss has been made. The actual amount of fines, surcharge payments or any other payments resulting from these legal proceedings may be different from the accrued amounts.

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

(b)***Other***

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

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

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

On January 31, 2017, MHI extended the amount above and requested the Company to pay ZAR 89,700 million (approximately ¥763.4 billion when ZAR 1 = ¥8.51). 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 July 31, 2017, MHI announced that it had submitted to the Japan Commercial Arbitration Association (hereinafter, the "JCAA") an arbitration claim against the Company for payment of ZAR 90,779 million (approximately ¥774.3 billion when ZAR 1 = ¥8.53) as the said transfer price adjustment, etc. The Company has not received the notice of the request for arbitration from the JCAA up to the time of filing this quarterly report.

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

(13) Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements were approved on August 7, 2017 by Toshiaki Higashihara, President and CEO of the Company.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	August 7, 2017
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & CEO
[Name and title of CFO]	Mitsuaki Nishiyama, Senior Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

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

Mr. Toshiaki Higashihara, President & CEO, and Mr. Mitsuaki Nishiyama, Senior Vice President and Executive Officer, confirmed that statements contained in the Quarterly Report for the first quarter of 149th fiscal year (from April 1, 2017 to June 30, 2017) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.