

[Translation]

Quarterly Report

(The Second Quarter of 152nd Business Term)

From July 1, 2020 to September 30, 2020

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

Hitachi, Ltd.

[Cover]

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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.

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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)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Year ended March 31, 2020
Revenues	4,221,327 [2,118,745]	3,760,057 [2,165,780]	8,767,263
Income from continuing operations, before income taxes	288,976	384,254	180,268
Net income attributable to Hitachi, Ltd. stockholders	189,293 [68,990]	250,755 [27,504]	87,596
Comprehensive income attributable to Hitachi, Ltd. stockholders	131,271	285,855	(8,465)
Total Hitachi, Ltd. stockholders' equity	3,341,211	2,915,955	3,159,986
Total equity	4,445,844	3,572,774	4,266,739
Total assets	9,719,596	10,616,015	9,930,081
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	196.02 [71.44]	259.60 [28.47]	90.71
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	195.77	259.29	90.60
Total Hitachi, Ltd. stockholders' equity ratio (%)	34.4	27.5	31.8
Net cash provided by operating activities	205,688	214,491	560,920
Net cash used in investing activities	(207,079)	(703,884)	(525,826)
Net cash provided by financing activities	70,137	433,819	2,837
Cash and cash equivalents at end of period	841,702	759,882	812,331

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

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

3. The figures of "Revenues," "Net income attributable to Hitachi, Ltd. stockholders" and "Earnings per share attributable to Hitachi, Ltd. stockholders, basic" in square bracket are those for the three months ended September 30, 2019 and 2020, respectively.

2. Description of Business

There were no material changes in principal businesses of Hitachi during the six months ended September 30, 2020. The Hitachi Group is comprised of the Company, 846 consolidated subsidiaries, and 360 equity-method associates and joint-ventures.

Changes in Business Unit (BU) of the Company and principal affiliated companies during the six months ended September 30, 2020 were as follows.

(As of September 30, 2020)

Main products and services	BU and principal affiliated companies	
	BU	Affiliated companies
<u>IT</u>	(Change by organization merger) (Note 1) Defense Systems BU	
<u>Energy</u>		[Consolidated subsidiaries] (New) (Note 2) Hitachi ABB Power Grids Ltd
<u>Industry</u>		[Consolidated subsidiaries] (Change in company name) (Note 3) Hitachi Industrial Holdings Americas, Inc.
<u>Smart Life</u> (Reclassification of segment) (Note 4) Medical and Life Science Products, Analytical Equipment, Semiconductor Processing Equipment, Manufacturing and Inspection Equipment, Advanced Industrial Products		[Consolidated subsidiaries] (Reclassification of segment) (Note 4) Hitachi High-Tech Corporation
<u>Hitachi Chemical</u> (Excluded by the share transfer) (Note 5) Functional Materials (Electronics Materials, Printed Wiring Boards Materials, Electronics Components), Advanced Components and Systems (Mobility Components, Energy Storage Devices, Life Science-related Products)		[Consolidated subsidiaries] (Excluded by the share transfers) (Note 5) Hitachi Chemical Company, Ltd.
<u>Others</u>		[Consolidated subsidiaries] (Dissolved by the merger) (Note 6) Hitachi Life, Ltd. (Change in company name) (Note 6) Hitachi Real Estate Partners, Ltd.

- (Notes) 1. Defense Systems BU merged with Social Infrastructure Systems BU on April 1, 2020.
2. Hitachi ABB Power Grids Ltd became a consolidated subsidiary of the Company on July 1, 2020 as the Company acquired a part of the stocks of Hitachi ABB Power Grids Ltd.
3. Sullair US Purchaser, Inc. changed its name to Hitachi Industrial Holdings Americas, Inc. on April 1, 2020.
4. Hitachi High-Tech Corporation became a wholly-owned subsidiary of the Company on May 20, 2020. As a result, Hitachi High-Tech segment was abolished and merged into Smart Life segment.
5. Hitachi Chemical Company, Ltd. has ceased to be an affiliate of the Company through the share transfer on April 20, 2020. As a result, Hitachi Chemical segment was abolished.
6. Hitachi Urban Investment, Ltd. merged with Hitachi Life, Ltd. and changed its name to Hitachi Real Estate Partners, Ltd. on April 1, 2020.

II. Business Overview

1. Risk Factors

There were no new risk factors recognized during the six months ended September 30, 2020.

There were no material changes in the risk factors stated in the Annual Securities Report for the 151st business term pursuant to the Financial Instruments and Exchange Act of Japan.

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

(1) Analysis of Results of Operations

Results of Operations

The results of operations in the six months ended September 30, 2020 were as follows.

Revenues decreased 11% to 3,760.0 billion yen, as compared with the six months ended September 30, 2019, due mainly to decreased revenues owing to the sale of shares of Hitachi Chemical Company, Ltd. and lower revenues in the Smart Life sector, Hitachi Construction Machinery and Hitachi Metals due mainly to the impact of COVID-19 (the new coronavirus infection). This decrease was partially offset by increased revenues in the Energy sector due to the acquisition of the power grid business from ABB Ltd.

Cost of sales decreased 9% to 2,801.4 billion yen and the ratio of cost of sales to revenues increased 2% to 75%, as compared with the six months ended September 30, 2019, respectively. Gross profit decreased 16% to 958.6 billion yen, as compared with the six months ended September 30, 2019.

Selling, general and administrative expenses ("SG&A") decreased 8% to 777.8 billion yen and the ratio of SG&A to revenues increased 1% to 21%, as compared with the six months ended September 30, 2019, respectively.

Adjusted operating income (presented as revenues less cost of sales as well as SG&A) decreased 116.4 billion yen to 180.7 billion yen, as compared with the six months ended September 30, 2019, due mainly to lower profits in the Smart Life sector, Hitachi Construction Machinery and Hitachi Metals, etc.

Other income increased 245.0 billion yen to 283.2 billion yen, as compared with the six months ended September 30, 2019, due mainly to the gains on business reorganization and others by selling shares of Hitachi Chemical Company, Ltd. Other expenses decreased 5.9 billion yen to 69.9 billion yen, as compared with the six months ended September 30, 2019, due mainly to the impairment losses posted in the six months ended September 30, 2019 owing to the lower than expected revenues for the magnetic material business in Hitachi Metals.

Financial income (excluding interest income) decreased 2.8 billion yen to 2.0 billion yen and financial expenses (excluding interest charges) increased 3.6 billion yen to 4.9 billion yen, as compared with the six months ended September 30, 2019, respectively.

Share of profits of investments accounted for using the equity method worsened 32.4 billion yen to loss of 4.9 billion yen, as compared with the six months ended September 30, 2019.

EBIT (earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges) increased 95.6 billion yen to 386.2 billion yen, as compared with the six months ended September 30, 2019.

Interest income decreased 2.1 billion yen to 8.2 billion yen and interest charges decreased 1.7 billion yen to 10.1 billion yen, as compared with the six months ended September 30, 2019, respectively.

Income from continuing operations, before income taxes increased 95.2 billion yen to 384.2 billion yen, as compared with the six months ended September 30, 2019.

Income taxes increased 46.2 billion yen to 136.8 billion yen, as compared with the six months ended September 30, 2019.

Loss from discontinued operations improved 0.1 billion yen to 0.6 billion yen as compared with the six months ended September 30, 2019.

Net income increased 49.1 billion to 246.7 billion yen, as compared with the six months ended September 30, 2019.

Net income attributable to non-controlling interests worsened 12.2 billion yen to loss of 4.0 billion yen, as compared with the six months ended September 30, 2019.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased 61.4 billion yen to 250.7 billion yen, as compared with the six months ended September 30, 2019.

Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions. Effective from April 1, 2020, the Company reclassified Hitachi High-Tech segment in the Smart Life segment and abolished Hitachi Chemical segment. Accordingly, the amounts previously reported for the six months ended September 30, 2019 have been restated in conformity with the new segments.

(IT)

Revenues decreased 5% to 947.4 billion yen, as compared with the six months ended September 30, 2019, due mainly to decreased overseas revenues in North America and higher revenues by the transient services in the front business posted in the six months ended September 30, 2019.

Adjusted operating income decreased 1.0 billion yen to 108.0 billion yen, as compared with the six months ended September 30, 2019, due mainly to decreased revenues, despite improved profitability resulted from cost structure overhaul.

EBIT decreased 8.0 billion yen to 97.8 billion yen, as compared with the six months ended September 30, 2019, due mainly to decreased adjusted operating income and decrease in gains from selling the land of former production basis posted in the six months ended September 30, 2019.

(Energy)

Revenues increased 147% to 398.8 billion yen, as compared with the six months ended September 30, 2019, due mainly to increased revenues by acquiring the power grid business from ABB Ltd and higher revenues in the nuclear energy business.

Adjusted operating income worsened 7.3 billion yen to loss of 7.0 billion yen, as compared with the six months ended September 30, 2019, due mainly to posting amortization of intangible assets owing to acquiring the power grid business from ABB Ltd, despite increased revenues and improved profitability in both of the nuclear energy business and the energy business.

EBIT worsened 11.6 billion yen to net loss of 10.5 billion yen as compared with the six months ended September 30, 2019, due mainly to decreased adjusted operating income and posting structural reform expenses by acquiring the power grid business from ABB Ltd.

(Industry)

Revenues decreased 1% to 362.5 billion yen, as compared with the six months ended September 30, 2019, due mainly to the deterioration of market conditions affected by the impact of COVID-19, despite increased revenues by acquiring JR Technology Group, LLC.

Adjusted operating income increased 0.1 billion yen to 13.9 billion yen, as compared with the six months ended September 30, 2019, due mainly to reduction in expenses, despite decreased revenues.

EBIT decreased 4.9 billion yen to 15.7 billion yen as compared with the six months ended September 30, 2019, due mainly to the decrease in share of profits of investments accounted for using the equity method.

(Mobility)

Revenues increased 2% to 538.7 billion yen, as compared with the six months ended September 30, 2019, due mainly to higher revenues in the building systems business in China, despite decreased revenues from the railway systems business.

Adjusted operating income increased 1.2 billion yen to 39.8 billion yen, as compared with the six months ended September 30, 2019, due mainly to the profitability improvement resulted from cost reduction, etc. in the building systems business as well as increased revenues.

EBIT decreased 22.5 billion yen to 41.3 billion yen, as compared with the six months ended September 30, 2019, due mainly to the gains posted in the six months ended September 30, 2019 by selling a part of shares of Agility Trains West (Holdings) Limited stock.

(Smart Life)

Revenues decreased 12% to 930.8 billion yen, as compared with the six months ended September 30, 2019, due mainly to lower sales in the automotive systems business in North America and Japan as well as decreased demand in trading business, etc. in the measurement & analysis systems business.

Adjusted operating income decreased 32.3 billion yen to 27.3 billion yen, as compared with the six months ended September 30, 2019, due mainly to decreased revenues.

EBIT decreased 40.4 billion yen to 18.2 billion yen, as compared with the six months ended September 30, 2019, due mainly to decreased adjusted operating income.

(Hitachi Construction Machinery)

Revenues decreased 25% to 360.9 billion yen, as compared with the six months ended September 30, 2019, due mainly to the impact of COVID-19 and foreign currency translation.

Adjusted operating income decreased 34.0 billion yen to 10.4 billion yen, as compared with the six months ended September 30, 2019, due mainly to decreased revenues, despite the cost reduction.

EBIT decreased 36.8 billion yen to 5.9 billion yen, as compared with the six months ended September 30, 2019, due mainly to decreased adjusted operating income.

(Hitachi Metals)

Revenues decreased 25% to 340.8 billion yen, as compared with the six months ended September 30, 2019, due mainly to a decrease in demand for products for automobile owing to the impact of COVID-19.

Adjusted operating income worsened 18.2 billion yen to loss of 12.3 billion yen, as compared with the six months ended September 30, 2019, due mainly to decreased revenues.

EBIT improved 17.5 billion yen to loss of 38.7 billion yen, as compared with the six months ended September 30, 2019, due mainly to the impairment losses posted in the six months ended September 30, 2019 owing to the lower than expected revenues for the magnetic material business, despite decreased adjusted operating income.

(Others)

Revenues decreased 12% to 208.6 billion yen, as compared with the six months ended September 30, 2019.

Adjusted operating income decreased 4.3 billion to 7.5 billion yen, and EBIT decreased 3.7 billion yen to 10.4 billion yen, as compared with the six months ended September 30, 2019, respectively.

Revenues by Market

Revenues in Japan decreased 14% to 1,833.6 billion yen, as compared with the six months ended September 30, 2019, due mainly to a decrease in revenues resulting from the sale of shares of Hitachi Chemical Company, Ltd. and decreased revenues in the Smart Life sector.

Overseas revenues decreased 8% to 1,926.4 billion yen, as compared with the six months ended September 30, 2019, due mainly to a decrease in revenues resulting from the sale of shares of Hitachi Chemical Company, Ltd., decreased revenues in Hitachi Construction Machinery and Hitachi Metals, and decreased revenues in the Smart Life sector due mainly to lower sales from the automotive systems business in North America. This decrease was partially offset by increased revenues in the Energy sector resulting from acquiring the power grid business from ABB Ltd, in the Mobility sector due mainly to higher sales from the building systems business in China, and in the Industry sector resulting from acquiring JR Technology Group, LLC in North America.

As a result, the ratio of overseas revenues to total revenues increased 1% to 51%, as compared with the six months ended September 30, 2019.

(2) Analysis of Financial Condition and Cash Flows

Liquidity and Capital Resources

During the six months ended September 30, 2020, 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 six months ended September 30, 2020 increased by 49.1 billion yen, as compared with the six months ended September 30, 2019. Net cash outflow from a change in trade payables increased by 12.1 billion yen, as compared with the six months ended September 30, 2019. However, net cash outflow from a change in inventories decreased by 95.3 billion yen, as compared with the six months ended September 30, 2019. Net cash inflow from a change in trade receivables and contract assets increased by 9.6 billion yen, as compared with the six months ended September 30, 2019.

As a result of the foregoing, net cash provided by operating activities was 214.4 billion yen in the six months ended September 30, 2020, an increase of 8.8 billion yen compared with the six months ended September 30, 2019.

(Cash Flows from Investing Activities)

Net amount of investments related to property, plant and equipment* was 146.5 billion yen in the six months ended September 30, 2020. This net sum decreased by 52.4 billion yen compared with the six months ended September 30, 2019. 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 six months ended September 30, 2020 increased by 389.7 billion yen, as compared with the six months ended September 30, 2019, due mainly to the sale of shares of Hitachi Chemical Company, Ltd. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the six months ended September 30, 2020 increased by 958.2 billion yen, as compared with the six months ended September 30, 2019, due mainly to the purchase of shares of Hitachi ABB Power Grids Ltd.

As a result of the foregoing, net cash used in investing activities was 703.8 billion yen in the six months ended September 30, 2020, an increase of 496.8 billion yen compared with the six months ended September 30, 2019.

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

(Cash Flows from Financing Activities)

Net cash outflow related to purchase of shares of consolidated subsidiaries from non-controlling interests in the six months ended September 30, 2020 increased by 531.7 billion yen, as compared with the six months ended September 30, 2019, due mainly to the purchase of shares of Hitachi High-Tech Corporation. However, net cash inflow from a change in short-term debt

in the six months ended September 30, 2020 increased by 882.3 billion yen, as compared with the six months ended September 30, 2019. And, net cash outflow related to long-term debt** in the six months ended September 30, 2020 decreased by 6.4 billion yen, as compared with the six months ended September 30, 2019.

As a result of the foregoing, net cash flows provided by financing activities were 433.8 billion yen in the six months ended September 30, 2020, an increase of 363.6 billion yen compared with the six months ended September 30, 2019.

** 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 September 30, 2020 were 759.8 billion yen, a decrease of 52.4 billion yen from March 31, 2020. Free cash flows, the sum of cash flows from operating and investing activities, were an outflow of 489.3 billion yen in the six months ended September 30, 2020, an increase of 488.0 billion yen compared with the six months ended September 30, 2019.

Assets, Liabilities and Equity

The following is an overview of Hitachi's assets, liabilities and equity as of September 30, 2020.

Total assets were 10,616.0 billion yen, an increase of 685.9 billion yen from March 31, 2020, due mainly to increased assets resulting from acquiring the power grid business from ABB Ltd. The increase was partially offset by decreased assets due mainly to the purchase of shares of Hitachi High-Tech Corporation, the delivering shares of Mitsubishi Hitachi Power Systems, Ltd., and the sale of shares of Hitachi Chemical Company, Ltd.

Total interest-bearing debt, the sum of short-term debt and long-term debt, was 2,510.8 billion yen, an increase of 1,025.8 billion yen from March 31, 2020.

Total Hitachi, Ltd. stockholders' equity decreased by 244.0 billion yen from March 31, 2020, to 2,915.9 billion yen. The ratio of total Hitachi, Ltd. stockholders' equity to total assets was 27.5%, as compared with 31.8% as of March 31, 2020.

Non-controlling interests were 656.8 billion yen, a decrease of 449.9 billion yen from March 31, 2020.

Total equity was 3,572.7 billion yen, a decrease of 693.9 billion yen from March 31, 2020. The ratio of interest-bearing debt to total equity was 0.70, as compared with 0.35 as of March 31, 2020.

(3) Management Policy

There were no material changes in Hitachi's management policy during the six months ended September 30, 2020.

(4) Challenges Hitachi Group Faces

1) Business and Financial Challenges Hitachi Group Faces

There were no material changes in Hitachi's business and financial challenges during the six months ended September 30, 2020.

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

There were no material changes in Hitachi's fundamental policy during the six months ended September 30, 2020.

(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 151st business term pursuant to the Financial Instruments and Exchange Act of Japan. The Hitachi Group's R&D expenditures in the six months ended September 30, 2020 were 129.6 billion yen, 3.4% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Six months ended September 30, 2020
IT	26.4
Energy	9.8
Industry	5.2
Mobility	12.7
Smart Life	47.7
Hitachi Construction Machinery	10.9
Hitachi Metals	7.3
Others	1.2
Corporate Items	8.1
Total	129.6

(6) Property, Plant and Equipment

The major property, plants and equipment materially changed during the six months ended September 30, 2020 are as follows.

Breakdown by Segment

(As of September 30, 2020)

Segment	Book value (Millions of yen)								Number of employees
	Land [Area in thousands of m ²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Energy (Note 1)	19,474 [10,710]	67,791	133,025	3,006	28,669	176	18,690	270,831	43,626
Smart Life (Note 2)	55,427 [7,904]	133,471	175,472	48,494	29,012	-	43,058	484,934	55,617
Hitachi High-Tech (Note 2)	- [-]	-	-	-	-	-	-	-	-
Hitachi Chemical (Note 3)	- [-]	-	-	-	-	-	-	-	-

- (Notes) 1. The book value of the facilities in the Energy segment materially increased due mainly to the fact that Hitachi ABB Power Grids Ltd became a consolidated subsidiary of the Company on July 1, 2020. The book value of "Tools, furniture and fixtures" of the company is disclosed as part of "Machinery and vehicles" as of September 30, 2020.
2. The book value of the facilities in the Smart Life segment materially increased due mainly to the fact that Hitachi High-Tech Corporation became a wholly-owned subsidiary of the Company on May 20, 2020, and the Hitachi High-Tech segment was abolished and reclassified in the Smart Life segment.
3. Hitachi Chemical Company, Ltd. has ceased to be a consolidated subsidiary of the Company due to the share transfer on April 20, 2020. As a result, there are not the property, plants and equipment in the Hitachi Chemical segment.

Domestic subsidiaries

The Yamazaki Works and Shimodate Works of Hitachi Chemical Company, Ltd. are no longer the facilities of the Company's domestic subsidiaries due to the fact that Hitachi Chemical Company, Ltd. has ceased to be a consolidated subsidiary of the Company as a result of the share transfer on April 20, 2020.

Overseas subsidiaries

Hitachi ABB Power Grids Ltd became a consolidated subsidiary of the Company on July 1, 2020. The property, plants and equipment of the company are as follows.

(As of September 30, 2020)

Subsidiary (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)								Number of employees
			Land [Area in thousands of m ²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of- use Assets	Other	Construction in progress	Total	
Hitachi ABB Power Grids Ltd (Zurich, Switzerland)	Energy	Manufacturing facilities for power grid products, etc.	5,677 [2,180]	56,703	129,221	-	25,718	-	18,155	235,474	34,803

(Note) The figures are presented in consolidated basis of Hitachi ABB Power Grids Ltd. The book value of "Tools, furniture and fixtures" of the company is disclosed as part of "Machinery and vehicles" as of September 30, 2020.

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

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

The amount of capital investment for the fiscal year ending March 31, 2021 is updated as follows (new installation and expansions, based on the amount recorded as tangible fixed assets and the investment property).

Segment	The amount of capital investment for the fiscal year ending March 31, 2021 (Billions of yen)	
	Initial Plan	Updated Plan
IT	90.0	91.0
Energy	25.0	31.0
Industry	23.0	23.0
Mobility	25.0	27.0
Smart Life	110.0	111.0
Hitachi Construction Machinery	65.0	60.0
Hitachi Metals	33.0	33.0
Others	12.0	21.0
Corporate Items & Elimination	3.0	3.0
Total	386.0	400.0

- (Notes)
1. The figures in the above table include the amount of the right-of-use assets and the investment property, each of which is recorded as property, plant and equipment and other non-current assets, respectively.
 2. These planned investments are expected to be mostly financed with the Hitachi Group's own capital.
 3. There are no plans to dispose or sell principal facilities, with the exception of disposing and selling facilities due to routine upgrading.

(8) Forward-Looking Statements

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

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

- exacerbation of social and economic impacts of the spread of COVID-19;
- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, as well as levels of demand in the major industrial sectors Hitachi serves;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- estimates, fluctuations in cost and cancellation of long-term projects for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- fluctuations in demand of products, etc. and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in demand of products, etc., exchange rates and/or price of raw materials or shortages of materials, parts and components;
- credit conditions of Hitachi’s customers and suppliers;
- 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;
- 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;
- the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;
- uncertainty as to the success of cost structure overhaul;
- 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 the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method associates and joint ventures have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- uncertainty as to Hitachi’s ability to maintain the integrity of its information systems, as well as Hitachi’s ability to protect its confidential information or that of its customers;
- uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

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

3. Material Agreements, etc.

No material agreements were entered into during the six months ended September 30, 2020.

III. Information on the Company

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

(1) Total number of shares, etc.

1) Total number of shares

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

2) Issued shares

Class	Number of shares issued as of the end of second quarter (shares) (September 30, 2020)	Number of shares issued as of the filing date (shares) (Note) (November 12, 2020)	Stock exchange on which the Company is listed	Description
Common stock	967,885,277	967,885,277	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	967,885,277	967,885,277	—	—

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

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

1) Details of stock option plans

Not applicable.

2) Details of other stock acquisition rights, etc.

Not applicable.

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

Not applicable.

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

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From July 1, 2020 to September 30, 2020	—	967,885,277	—	460,790	—	178,756

(5) Major shareholders

(As of September 30, 2020)

Name	Address	Share Ownership (shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	90,239,800	9.33
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	57,555,200	5.95
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	21,255,496	2.20
Custody Bank of Japan, Ltd. (Trust Account 5)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	20,038,400	2.07
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351, Boston, Massachusetts 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	20,018,898	2.07
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	20,000,099	2.07
State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351, Boston, Massachusetts 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	18,457,389	1.91
NATS CUMCO (Standing proxy: Mizuho Bank, Ltd.)	C/O City Bank, New York 111 Wall Street, New York, NY, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	17,687,054	1.83
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	One Lincoln Street, Boston MA USA 02111 (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	16,652,291	1.72
JP Morgan Chase Bank 385781 (Standing proxy: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (15-1, Konan 2-chome, Minato-ku, Tokyo)	15,080,812	1.56
Total	-	296,985,439	30.72

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

2. Some reports on substantial shareholdings regarding the Company under the Financial Instruments and Exchange Act are available for public inspection. However, the information in the reports is not described in the above table since the Company does not confirm the actual status of shareholdings as of September 30, 2020. The major contents of the reports are as follows. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The reports whose date on which the duty to file report is prior to the effective date of the share consolidation show the number of shares before the share consolidation.

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

Holders	Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other person
Date on which the duty to file report	February 15, 2019
Number of shares	48,728,827 shares
Ownership percentage to the total number of issued shares	5.04%

Holders	Asset Management One Co., Ltd. and four other persons
Date on which the duty to file report	September 13, 2019
Number of shares	49,553,000 shares
Ownership percentage to the total number of issued shares	5.12%

(6) Information on voting rights

1) Issued shares

(As of September 30, 2020)

Classification	Number of shares (shares)		Number of voting rights	Description
Shares without voting right	—		—	—
Shares with restricted voting right (treasury stock, etc.)	—		—	—
Shares with restricted voting right (others)	—		—	—
Shares with full voting right (treasury stock, etc.)	Common stock	1,065,500	—	—
Shares with full voting right (others)	Common stock	964,367,100	9,643,671	—
Shares less than one unit	Common stock	2,452,677	—	—
Number of issued shares	967,885,277		—	—
Total number of voting rights	—		9,643,671	—

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

2) Treasury stock, etc.

(As of September 30, 2020)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	1,032,300	—	1,032,300	0.11
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	2,100	—	2,100	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	17,600	—	17,600	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	10,500	—	10,500	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	3,000	—	3,000	0.00
Total	—	1,065,500	—	1,065,500	0.11

2. Changes in Senior Management

There were no changes in senior managements from the filing date of the Annual Securities Report for the 151st business term pursuant to the Financial Instruments and Exchange of Act of Japan to September 30, 2020.

IV. Financial Information

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

Part II Information on Guarantors, etc. for the Company

Not applicable.

Condensed Quarterly Consolidated Financial Statements

Condensed Quarterly Consolidated Statement of Financial Position

Millions of yen

	Note	September 30, 2020	March 31, 2020
Assets			
Current assets			
Cash and cash equivalents		759,882	812,331
Trade receivables and contract assets	6	2,297,557	2,260,205
Inventories		1,567,723	1,408,937
Investments in securities and other financial assets	7	287,670	279,951
Other current assets	5	235,279	456,165
Total current assets		5,148,111	5,217,589
Non-current assets			
Investments accounted for using the equity method	5	459,963	480,375
Investments in securities and other financial assets	5,7	446,717	440,514
Property, plant and equipment		2,143,043	2,165,311
Goodwill		1,008,260	635,927
Other intangible assets		935,429	479,794
Other non-current assets		474,492	510,571
Total non-current assets		5,467,904	4,712,492
Total assets		10,616,015	9,930,081
Liabilities			
Current liabilities			
Short-term debt		1,293,466	183,303
Current portion of long-term debt	7	283,451	231,237
Other financial liabilities	7	224,855	252,403
Trade payables		1,257,657	1,270,668
Accrued expenses		613,329	604,415
Contract liabilities		790,035	615,096
Other current liabilities	5	441,193	576,056
Total current liabilities		4,903,986	3,733,178
Non-current liabilities			
Long-term debt	7	933,934	1,070,502
Retirement and severance benefits		509,049	514,375
Other non-current liabilities	7	696,272	345,287
Total non-current liabilities		2,139,255	1,930,164
Total liabilities		7,043,241	5,663,342
Equity			
Hitachi, Ltd. stockholders' equity			
Common stock		460,790	459,862
Capital surplus	7	-	464,795
Retained earnings	8	2,493,601	2,296,208
Accumulated other comprehensive income		(35,047)	(57,070)
Treasury stock, at cost		(3,389)	(3,809)
Total Hitachi, Ltd. stockholders' equity		2,915,955	3,159,986
Non-controlling interests		656,819	1,106,753
Total equity		3,572,774	4,266,739
Total liabilities and equity		10,616,015	9,930,081

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Six months ended September 30, 2020 and 2019

Millions of yen

	Note	2020	2019
Revenues	9	3,760,057	4,221,327
Cost of sales		(2,801,409)	(3,074,791)
Gross profit		958,648	1,146,536
Selling, general and administrative expenses		(777,860)	(849,333)
Other income	5,10	283,232	38,156
Other expenses	5,10	(69,925)	(75,904)
Financial income	11	2,091	4,920
Financial expenses	11	(4,992)	(1,364)
Share of profits (losses) of investments accounted for using the equity method		(4,988)	27,506
EBIT (Earnings before interest and taxes)		386,206	290,517
Interest income		8,203	10,397
Interest charges		(10,155)	(11,938)
Income from continuing operations, before income taxes		384,254	288,976
Income taxes		(136,855)	(90,646)
Income from continuing operations		247,399	198,330
Loss from discontinued operations	12	(686)	(796)
Net income		246,713	197,534
Net income attributable to:			
Hitachi, Ltd. stockholders		250,755	189,293
Non-controlling interests		(4,042)	8,241
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	13		Yen
Basic		260.31	196.84
Diluted		260.00	196.60
Earnings per share attributable to Hitachi, Ltd. stockholders	13		
Basic		259.60	196.02
Diluted		259.29	195.77

Condensed Quarterly Consolidated Statement of Comprehensive Income

Six months ended September 30, 2020 and 2019

Millions of yen

	Note	2020	2019
Net income		246,713	197,534
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		24,242	20,049
Remeasurements of defined benefit plans		-	-
Share of OCI of investments accounted for using the equity method		528	133
Total items not to be reclassified into net income		24,770	20,182
Items that can be reclassified into net income			
Foreign currency translation adjustments		7,343	(96,172)
Net changes in cash flow hedges		3,131	4,645
Share of OCI of investments accounted for using the equity method		7,641	(16,972)
Total items that can be reclassified into net income		18,115	(108,499)
Other comprehensive income (OCI)		42,885	(88,317)
Comprehensive income		289,598	109,217
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		285,855	131,271
Non-controlling interests		3,743	(22,054)

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Three months ended September 30, 2020 and 2019

Millions of yen

	Note	2020	2019
Revenues		2,165,780	2,188,745
Cost of sales		(1,621,981)	(1,586,401)
Gross profit		543,799	602,344
Selling, general and administrative expenses		(421,381)	(429,529)
Other income		1,093	4,079
Other expenses		(56,814)	(83,953)
Financial income		115	5,112
Financial expenses		(4,499)	(478)
Share of profits (losses) of investments accounted for using the equity method		(16,525)	10,431
EBIT (Earnings before interest and taxes)		45,788	108,006
Interest income		4,547	5,434
Interest charges		(5,790)	(6,336)
Income from continuing operations, before income taxes		44,545	107,104
Income taxes		(23,974)	(49,420)
Income from continuing operations		20,571	57,684
Loss from discontinued operations		(349)	(387)
Net income		20,222	57,297
Net income attributable to:			
Hitachi, Ltd. stockholders		27,504	68,990
Non-controlling interests		(7,282)	(11,693)
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	13		Yen
Basic		28.83	71.84
Diluted		28.80	71.75
Earnings per share attributable to Hitachi, Ltd. stockholders	13		
Basic		28.47	71.44
Diluted		28.44	71.35

Condensed Quarterly Consolidated Statement of Comprehensive Income

Three months ended September 30, 2020 and 2019

Millions of yen

	Note	2020	2019
Net income		20,222	57,297
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		6,780	19,921
Remeasurements of defined benefit plans		-	-
Share of OCI of investments accounted for using the equity method		489	108
Total items not to be reclassified into net income		7,269	20,029
Items that can be reclassified into net income			
Foreign currency translation adjustments		(3,672)	(29,503)
Net changes in cash flow hedges		1,958	4,350
Share of OCI of investments accounted for using the equity method		12,503	(21,560)
Total items that can be reclassified into net income		10,789	(46,713)
Other comprehensive income (OCI)		18,058	(26,684)
Comprehensive income		38,280	30,613
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		43,564	53,821
Non-controlling interests		(5,284)	(23,208)

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Changes in Equity

Six months ended September 30, 2020

Millions of yen

	2020							
	Common stock	Capital surplus (notes 5 and 7)	Retained earnings (note 8)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (notes 5 and 7)	Total equity
Balance at beginning of period	459,862	464,795	2,296,208	(57,070)	(3,809)	3,159,986	1,106,753	4,266,739
Changes in equity								
Reclassified into retained earnings	-	-	7,653	(7,653)	-	-	-	-
Net income (loss)	-	-	250,755	-	-	250,755	(4,042)	246,713
Other comprehensive income	-	-	-	35,100	-	35,100	7,785	42,885
Dividends to Hitachi, Ltd. stockholders	-	-	(48,311)	-	-	(48,311)	-	(48,311)
Dividends to non-controlling interests	-	-	-	-	-	-	(19,300)	(19,300)
Acquisition of treasury stock	-	-	-	-	(51)	(51)	-	(51)
Sales of treasury stock	-	107	-	-	471	578	-	578
Issuance of new shares	928	928	-	-	-	1,856	-	1,856
Changes in non-controlling interests	-	(465,830)	(12,704)	(5,424)	-	(483,958)	(434,377)	(918,335)
Total changes in equity	928	(464,795)	197,393	22,023	420	(244,031)	(449,934)	(693,965)
Balance at end of period	460,790	-	2,493,601	(35,047)	(3,389)	2,915,955	656,819	3,572,774

Six months ended September 30, 2019

Millions of yen

	2019							
	Common stock	Capital surplus	Retained earnings (note 8)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of period	458,790	463,786	2,287,587	56,360	(3,920)	3,262,603	1,151,800	4,414,403
Cumulative effects of changes in accounting policies	-	-	(2,596)	-	-	(2,596)	(1,075)	(3,671)
Restated balance	458,790	463,786	2,284,991	56,360	(3,920)	3,260,007	1,150,725	4,410,732
Changes in equity								
Reclassified into retained earnings	-	-	14,051	(14,051)	-	-	-	-
Net income	-	-	189,293	-	-	189,293	8,241	197,534
Other comprehensive income	-	-	-	(58,022)	-	(58,022)	(30,295)	(88,317)
Dividends to Hitachi, Ltd. stockholders	-	-	(48,280)	-	-	(48,280)	-	(48,280)
Dividends to non-controlling interests	-	-	-	-	-	-	(26,207)	(26,207)
Acquisition of treasury stock	-	-	-	-	(75)	(75)	-	(75)
Sales of treasury stock	-	(138)	-	-	273	135	-	135
Issuance of new shares	1,072	1,072	-	-	-	2,144	-	2,144
Changes in non-controlling interests	-	(4,163)	-	172	-	(3,991)	2,169	(1,822)
Total changes in equity	1,072	(3,229)	155,064	(71,901)	198	81,204	(46,092)	35,112
Balance at end of period	459,862	460,557	2,440,055	(15,541)	(3,722)	3,341,211	1,104,633	4,445,844

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Cash Flows

Six months ended September 30, 2020 and 2019

Millions of yen

	Note	2020	2019
Cash flows from operating activities:			
Net income		246,713	197,534
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization		225,857	207,830
Impairment losses		41,605	69,669
Income taxes		136,855	90,645
Share of (profits) losses of investments accounted for using the equity method		4,988	(27,506)
Financial income and expenses		445	(1,415)
Net (gain) loss on business reorganization and others		(282,424)	(28,086)
(Gain) loss on sale of property, plant and equipment		(27)	1,030
Change in trade receivables and contract assets		261,231	251,569
Change in inventories		(90,468)	(185,832)
Change in trade payables		(152,436)	(140,314)
Change in accrued expenses	2	(18,022)	(57,465)
Change in retirement and severance benefits		(7,940)	(20,167)
Other	2	(73,885)	(54,009)
Subtotal		292,492	303,483
Interest received		6,762	13,120
Dividends received		12,308	7,148
Interest paid		(10,308)	(12,267)
Income taxes paid		(86,763)	(105,796)
Net cash provided by (used in) operating activities		214,491	205,688
Cash flows from investing activities:			
Purchase of property, plant and equipment		(113,636)	(167,342)
Purchase of intangible assets		(50,078)	(41,796)
Proceeds from sale of property, plant and equipment, and intangible assets		17,214	10,180
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	5	(1,006,259)	(48,038)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		435,737	46,001
Other		13,138	(6,084)
Net cash provided by (used in) investing activities		(703,884)	(207,079)
Cash flows from financing activities:			
Change in short-term debt, net		1,125,074	242,723
Proceeds from long-term debt		16,026	44,889
Payments on long-term debt		(110,664)	(145,990)
Proceeds from payments from non-controlling interests		2,593	2,603
Dividends paid to Hitachi, Ltd. stockholders		(48,223)	(48,163)
Dividends paid to non-controlling interests		(18,540)	(24,772)
Acquisition of common stock for treasury		(51)	(75)
Proceeds from sales of treasury stock		578	135
Purchase of shares of consolidated subsidiaries from non-controlling interests		(532,955)	(1,205)
Other		(19)	(8)
Net cash provided by (used in) financing activities		433,819	70,137
Effect of exchange rate changes on cash and cash equivalents		3,125	(34,637)
Change in cash and cash equivalents		(52,449)	34,109
Cash and cash equivalents at beginning of period		812,331	807,593
Cash and cash equivalents at end of period		759,882	841,702

See accompanying notes to condensed quarterly consolidated financial statements.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2020

(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 six months ended September 30, 2020 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 IT, Energy, Industry, Mobility, Smart Life, Hitachi Construction Machinery, Hitachi Metals and Others.

(2) Basis of Presentation

As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards" pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of 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, 2020.

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

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

Judgments, estimates and assumptions that could have a material effect on these condensed quarterly consolidated financial statements are basically the same as those disclosed in the Company's annual consolidated financial statements for the year ended March 31, 2020.

For the six months ended September 30, 2020, the Company tested fixed assets, such as goodwill, for impairment and assessed the realizability of deferred tax assets, etc., which require management to make estimates of future cash flows or future taxable income, based on the assumption that the impact of the slowdown in the global economy caused by the spread of COVID-19 would not be material in the longer term, on the other hand the decrease in demand would continue in part of the business in the short term, although the situation varies from one segment or region to another since the Company is engaged in a wide range of business activities around the globe. The Company judged that this is the best assumption as of September 30, 2020. However, if the impact lasts longer or is wider than the assumption described above, it could affect significant accounting estimates or judgements regarding impairment of fixed assets, such as goodwill, and assessments of the realizability of deferred tax assets, etc.

Regarding the condensed quarterly consolidated statement of cash flows, changes in presentation have been made effective from April 1, 2020 for improved clarity. "Change in accrued expenses", which was previously included in "Change in other liabilities", has been reclassified and separately presented. "Change in other assets" and "Change in other liabilities", which were separately presented, have been included in "Other" under cash flows from operating activities. The condensed quarterly consolidated statement of cash flows for the six months ended September 30, 2019 has been reclassified in order to reflect these changes in presentation.

As a result, regarding the condensed quarterly consolidated statement of cash flows for the six months ended September 30, 2019, "Change in other liabilities" of (57,465) million yen has been reclassified as "Change in accrued expenses". In addition, "Change in other assets" of 2,290 million yen and "Change in other liabilities" of (61,436) million yen, which were separately presented, have been reclassified as "Other" under cash flows from operating activities.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2020

(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, 2020.

Income taxes for the six months ended September 30, 2020 are computed using the estimated annual effective tax rate.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2020

(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 Energy, Industry, Mobility and Smart Life for financial reporting purposes so that users of the financial statements better understand the Company's financial position and business performance. The Company aggregates operating segments based on the similarities of economic characteristics mainly using gross profit margin ratios of operating segments. The primary products and services included in each segment are as follows:

IT:

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

Energy:

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

Industry:

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

Mobility:

Building systems (Elevators, Escalators) and Railway systems

Smart Life:

Smart life & ecofriendly systems (Refrigerators, Washing machines, Room air conditioners, Air-conditioning equipment), Automotive systems (Powertrain systems, Chassis systems, Advanced driver assistance systems), Medical and life science products, Analytical equipment, Semiconductor processing equipment, Manufacturing and inspection equipment, and Advanced industrial products

Hitachi Construction Machinery:

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

Hitachi Metals:

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

Others:

Optical disk drives, Property management and others

Effective from April 1, 2020, due to making Hitachi High-Tech Corporation (Hitachi High-Tech) a wholly-owned subsidiary of the Company during the three months ended June 30, 2020, Hitachi High-Tech segment was unified to Smart Life segment. Figures for the six months ended September 30, 2019 have been restated on the basis of the reclassification.

In April 2020, the Company sold all shares of Hitachi Chemical Company, Ltd. (currently Showa Denko Materials Co., Ltd.). As a result, Hitachi Chemical Company, Ltd. was deconsolidated. Accordingly, Hitachi Chemical segment ceased to be a business segment, but the segment figures for the six months ended September 30, 2020 and 2019 are disclosed individually to enhance fair disclosure.

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The following tables show business segment information for the six months ended September 30, 2020 and 2019.

Revenues from External Customers

	Millions of yen	
	2020	2019
IT	876,360	921,911
Energy	376,751	133,726
Industry	290,063	292,686
Mobility	534,885	525,105
Smart Life	883,938	989,630
Hitachi Construction Machinery	360,824	480,385
Hitachi Metals	329,064	442,125
Hitachi Chemical	-	306,856
Others	101,858	123,916
Subtotal	3,753,743	4,216,340
Corporate items	6,314	4,987
Total	3,760,057	4,221,327

Revenues from Intersegment Transactions

	Millions of yen	
	2020	2019
IT	71,134	73,335
Energy	22,078	27,897
Industry	72,437	74,025
Mobility	3,839	4,849
Smart Life	46,919	65,707
Hitachi Construction Machinery	78	174
Hitachi Metals	11,767	14,763
Hitachi Chemical	-	9,772
Others	106,816	112,385
Subtotal	335,068	382,907
Corporate items and Eliminations	(335,068)	(382,907)
Total	-	-

Total Revenues

	Millions of yen	
	2020	2019
IT	947,494	995,246
Energy	398,829	161,623
Industry	362,500	366,711
Mobility	538,724	529,954
Smart Life	930,857	1,055,337
Hitachi Construction Machinery	360,902	480,559
Hitachi Metals	340,831	456,888
Hitachi Chemical	-	316,628
Others	208,674	236,301
Subtotal	4,088,811	4,599,247
Corporate items and Eliminations	(328,754)	(377,920)
Total	3,760,057	4,221,327

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Segment Profit (Loss)

Millions of yen

	2020	2019
IT	97,820	105,841
Energy	(10,563)	1,071
Industry	15,705	20,648
Mobility	41,385	63,928
Smart Life	18,258	58,725
Hitachi Construction Machinery	5,990	42,855
Hitachi Metals	(38,799)	(56,329)
Hitachi Chemical	-	15,512
Others	10,494	14,253
Subtotal	140,290	266,504
Corporate items and Eliminations	245,916	24,013
Total	386,206	290,517
Interest income	8,203	10,397
Interest charges	(10,155)	(11,938)
Income from continuing operations, before income taxes	384,254	288,976

Segment profit (loss) is measured by EBIT.

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

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(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures for the six months ended September 30, 2020, including the period up to the approval date of the condensed quarterly consolidated financial statements.

(a) Settlement regarding the South African project

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

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

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

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(b) Acquisition of ABB's power grids business

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

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

	<u>Millions of yen</u>
Cash and cash equivalents	65,466
Trade receivables and contract assets	382,560
Inventories	173,854
Other current assets	60,646
Property, plant and equipment	234,656
Intangible assets	
Goodwill	402,366
Other intangible assets	510,866
Other non-current assets	19,333
Total	<u>1,849,747</u>
Trade payables	199,251
Contract liabilities	143,497
Other current liabilities	208,160
Long-term debt	346,071
Other non-current liabilities	138,556
Total	<u>1,035,535</u>
Cash paid for the acquisition	722,062
Non-controlling interests	92,150
Total	<u>814,212</u>

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

Non-controlling interests are measured based on the proportionate share of the fair value of the identifiable net assets of Hitachi ABB Power Grid.

The Company is currently evaluating the fair values to be assigned to assets and liabilities of Hitachi ABB Power Grid at the acquisition date and therefore the above amounts are subject to change. In addition, the Cash paid for the acquisition may vary due to transaction price adjustment.

Acquisition related costs of 5,391 million yen have been posted up to the year ended March 31, 2020, and approximately 3,000 million yen is expected to be recorded in the year ending March 31, 2021. Acquisition related costs included in Other expenses in the condensed quarterly consolidated statement of profit or loss for the six months ended September 30, 2020 and 2019 were 2,456 million yen and 523 million yen, respectively.

In addition to this acquisition, the Company repaid 3,000 million U.S. dollars (323,190 million yen) of certain loans owed by Hitachi ABB Power Grid from ABB's subsidiary, ABB Capital B.V., and the repayment is included in Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) under Cash flows from investing activities in the condensed quarterly consolidated statement of cash flows for the six months ended September 30, 2020.

The results of operations of Hitachi ABB Power Grid from the date of acquisition to September 30, 2020 (prior to elimination of intercompany transactions) included in the condensed quarterly consolidated statement of profit or loss are Revenues of 233,626 million yen, EBIT of (12,615) million yen, and Net income of (9,665) million yen. EBIT and Net income include

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depreciation and amortization of 22,624 million yen on Other intangible assets and PP&E that were recognized as a result of this acquisition.

Assuming that such acquisition occurred as of April 1, 2020, the results of operations of the Company for the six months ended September 30, 2020 (pro forma information not subject to quarterly review) are as follows:

	<u>Millions of yen</u>
Revenues	3,982,536
EBIT	368,540
Net income	229,781

Hitachi ABB Power Grid's historical financial information has been adjusted from U.S. GAAP to IFRS to generate pro forma information. EBIT and Net income include depreciation and amortization of 45,547 million yen on Other intangible assets and PP&E that were recognized as a result of this acquisition.

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

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

Furthermore, the Company conducted a series of procedures to make Hitachi High-Tech a wholly-owned subsidiary of the Company. As a result, the Company's ownership ratio of shares of Hitachi High-Tech increased to 100% on May 20, 2020. The total consideration paid was 531,084 million yen, and the Company recognized decreases in capital surplus of 321,627 million yen and non-controlling interest of 209,457 million yen, respectively, for the six months ended September 30, 2020.

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

On December 18, 2019, the Company signed a tender offer agreement with Showa Denko K.K. (Showa Denko) and HC Holdings K.K. (HC Holdings), a wholly-owned subsidiary of Showa Denko, under which the Company agrees to tender all shares of common stock in Hitachi Chemical held by the Company, in response to a tender offer to be carried out by HC Holdings for the shares of common stock of Hitachi Chemical, a consolidated subsidiary of the Company in the Hitachi Chemical segment. HC Holdings commenced the tender offer on March 24, 2020, and the tender offer was completed on April 20, 2020. The consideration received by the Company was 495,145 million yen.

As a result, the Company's ownership ratio of shares of Hitachi Chemical decreased from 51.4% to 0%, and Hitachi Chemical was deconsolidated. A gain on the sale of shares of Hitachi Chemical in the amount of 278,839 million yen was recognized in Other income in the condensed quarterly consolidated statement of profit or loss. Furthermore, non-controlling interest in Hitachi Chemical decreased 220,402 million yen in Changes in non-controlling interests in the condensed quarterly consolidated statement of changes in equity as a result of its deconsolidation.

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

The following are the material Business Acquisitions and Divestitures other than the above.

(a) Sale of Diagnostic Imaging-related Business

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

The Company plans to transfer all shares of common stock of a new company established by the Company to Fujifilm after the Diagnostic Imaging-related Business is succeeded to the new company from the Company through an absorption-type company split. The consideration is expected to be approximately 179 billion yen.

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

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(b) Reorganization of automotive systems business

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

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

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(6) Trade Receivables and Contract Assets

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

	September 30, 2020	March 31, 2020
Accounts receivable	1,538,319	1,684,225
Contract assets	636,012	429,117
Others	123,226	146,863
Total	2,297,557	2,260,205

Trade receivables and contract assets are stated as net of the allowance for doubtful receivables.

Others include notes receivable and electronically recorded monetary claims.

(7) Fair Value of Financial Instruments

(a) Fair Value Measurements

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

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

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

Investments in securities and other financial assets

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

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

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

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

Long-term debt

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

Other financial liabilities

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

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(b) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of September 30 and March 31, 2020 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

	September 30, 2020		March 31, 2020	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
<u>Assets</u>				
Investments in securities and other financial assets				
Lease receivables	82,420	83,831	83,553	84,834
Debt securities	73,311	73,313	73,048	73,051
Long-term loans receivable	26,396	28,901	26,642	28,576
<u>Liabilities</u>				
Long-term debt [1]				
Bonds	355,343	357,154	385,293	386,082
Long-term borrowings	569,272	572,420	637,648	640,929

[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.

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The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of September 30 and March 31, 2020.

September 30, 2020				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	-	-	4,125	4,125
Debt securities	11,433	4,851	7,545	23,829
Derivatives	-	19,836	83	19,919
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	151,825	-	106,978	258,803
Total financial assets at fair value	163,258	24,687	118,731	306,676
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	25,349	-	25,349
Total financial liabilities at fair value	-	25,349	-	25,349

March 31, 2020				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	-	-	4,001	4,001
Debt securities	8,638	4,550	8,617	21,805
Derivatives	-	44,409	6,147	50,556
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	135,452	-	108,884	244,336
Total financial assets at fair value	144,090	48,959	127,649	320,698
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	24,021	-	24,021
Total financial liabilities at fair value	-	24,021	-	24,021

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The following tables present the changes in Level 3 instruments measured on a recurring basis for the six months ended September 30, 2020 and 2019.

September 30, 2020	Millions of yen			
Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	112,885	8,617	6,147	127,649
Gain (loss) in profit or loss [1]	(175)	45	(3)	(133)
Gain in OCI [2]	1,171	-	-	1,171
Purchases	1,794	313	-	2,107
Sales and redemption	(1,113)	(776)	(6,061)	(7,950)
Acquisitions and divestitures	(3,591)	(656)	-	(4,247)
Other	132	2	-	134
Balance at end of period	111,103	7,545	83	118,731
Unrealized gain (loss) relating to financial assets held at end of period [3]	(188)	45	(3)	(146)

September 30, 2019	Millions of yen			
Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	105,077	9,344	7,059	121,480
Gain (loss) in profit or loss [1]	(19)	3	(196)	(212)
Gain in OCI [2]	883	-	-	883
Purchases	1,996	372	-	2,368
Sales and redemption	(1,090)	(892)	-	(1,982)
Acquisitions and divestitures	(45)	-	-	(45)
Other	(3,416)	(26)	-	(3,442)
Balance at end of period	103,386	8,801	6,863	119,050
Unrealized gain (loss) relating to financial assets held at end of period [3]	(19)	25	(196)	(190)

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

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

[3] 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.

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.

(d) Other

In the Company and subsidiaries, put options on shares of subsidiaries of non-controlling interests are recognized as financial liabilities at the present value of the exercise price. The Company derecognizes non-controlling interests and recognizes the difference between the present value and non-controlling interests as capital surplus.

Put options on non-controlling interests of Hitachi ABB Power Grids Ltd are measured at the present value of the exercise price and the carrying amount of the put options was 243,023 million yen as of September 30, 2020 included in Other non-current liabilities in the condensed quarterly consolidated statement of financial position.

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(8) Dividends

Dividends paid on the Company's common stock for the six months ended September 30, 2020 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, 2020	48,311	Retained earnings	50.0	March 31, 2020	June 8, 2020

Dividends on the Company's common stock whose record date falls in the six months ended September 30, 2020 and the effective date falls in the next period are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on October 28, 2020	48,342	Retained earnings	50.0	September 30, 2020	November 30, 2020

Dividends paid on the Company's common stock for the six months ended September 30, 2019 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 10, 2019	48,280	Retained earnings	50.0	March 31, 2019	May 31, 2019

Dividends on the Company's common stock whose record date falls in the six months ended September 30, 2019 and the effective date falls in the next period are as follows:

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

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(9) Revenues

(a) Disaggregation of revenue

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

Effective from April 1, 2020, the Company reclassified its reportable segments. Accordingly, figures for the six months ended September 30, 2019 have been restated on the basis of the reclassification. Details of the reclassification are described in note 4.

(Millions of yen)

September 30, 2020							
	Japan					Overseas Revenues Subtotal	Total Revenues
		Asia	North America	Europe	Other Areas		
IT	699,545	83,168	80,696	66,102	17,983	247,949	947,494
Energy	138,954	88,419	60,550	67,189	43,717	259,875	398,829
Industry	269,006	34,828	45,017	7,257	6,392	93,494	362,500
Mobility	161,492	221,839	24,771	110,754	19,868	377,232	538,724
Smart Life	444,940	230,677	124,914	91,496	38,830	485,917	930,857
Hitachi Construction Machinery	91,071	79,569	47,648	43,914	98,700	269,831	360,902
Hitachi Metals	159,750	72,322	87,280	15,766	5,713	181,081	340,831
Hitachi Chemical	-	-	-	-	-	-	-
Others	175,953	23,326	3,961	3,627	1,807	32,721	208,674
Subtotal	2,140,711	834,148	474,837	406,105	233,010	1,948,100	4,088,811
Corporate items and Eliminations	(307,059)	(16,713)	(2,059)	(1,772)	(1,151)	(21,695)	(328,754)
Total	1,833,652	817,435	472,778	404,333	231,859	1,926,405	3,760,057

(Millions of yen)

September 30, 2019							
	Japan					Overseas Revenues Subtotal	Total Revenues
		Asia	North America	Europe	Other Areas		
IT	720,760	87,447	94,625	73,865	18,549	274,486	995,246
Energy	141,571	12,662	3,523	2,017	1,850	20,052	161,623
Industry	281,410	43,627	25,101	5,398	11,175	85,301	366,711
Mobility	161,072	181,583	19,635	147,651	20,013	368,882	529,954
Smart Life	544,830	219,053	169,677	85,030	36,747	510,507	1,055,337
Hitachi Construction Machinery	99,924	108,534	92,137	73,807	106,157	380,635	480,559
Hitachi Metals	207,673	85,708	130,409	22,524	10,574	249,215	456,888
Hitachi Chemical	115,415	137,004	24,110	30,893	9,206	201,213	316,628
Others	195,327	26,645	8,637	2,584	3,108	40,974	236,301
Subtotal	2,467,982	902,263	567,854	443,769	217,379	2,131,265	4,599,247
Corporate items and Eliminations	(342,040)	(25,774)	(4,782)	(2,892)	(2,432)	(35,880)	(377,920)
Total	2,125,942	876,489	563,072	440,877	214,947	2,095,385	4,221,327

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The IT segment consists of Front Business and Services & Platforms, for which revenue amounted to 653,931 million yen and 372,025 million yen for the six months ended September 30, 2020 and 668,377 million yen and 402,599 million yen for the six months ended September 30, 2019, respectively (including intersegment transactions). Front Business is operated mainly in Japan, and Services & Platforms is operated mainly in Japan, North America and Europe.

Effective from April 1, 2020, the IT segment changed its scope of business field. Figures for the six months ended September 30, 2019 have been restated on the basis of the reclassification.

(b) Information about satisfaction of performance obligations

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

(IT)

Front Business primarily provides goods and services such as system integration, consulting and cloud services. These long-term projects provide goods and services according to customers' specifications over a specified period of time, and revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost) or the passage of time as performance obligations are satisfied over time.

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

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

(Energy, Industry and Mobility)

The Energy segment includes revenue from businesses such as energy solutions, which are operated mainly in Japan, Asia, Europe, and North America. The Industry segment includes revenue from businesses such as industry & distribution systems, which are operated mainly in Japan. The Mobility segment includes revenue from building systems and railway systems businesses. The building systems business is operated mainly in China and the railway systems business is operated mainly in Europe.

Long-term projects related to contracts such as construction in these segments involve manufacturing and providing goods based on customers' specifications over a specified period of time. As performance obligations are satisfied over time, revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost). In addition, these segments provide certain services promised in the contracts such as maintenance throughout the duration of the contract, and recognize revenue over time based on the passage of time. Many of the contracts require payments based on milestones, and, in some cases, payments are made before performance obligations are satisfied.

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

(Other)

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

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

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2020

(10) Other Income and Expenses

The main components of other income and expenses for the six months ended September 30, 2020 and 2019 are as follows:

	Millions of yen	
	2020	2019
Net gain (loss) on sales and disposals of fixed assets	(814)	(1,038)
Impairment losses	(41,605)	(69,669)
Net gain (loss) on business reorganization and others	282,424	28,086
Special termination benefits	(2,499)	(5,052)

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

Restructuring charges (structural reform expenses) included in other expenses for the six months ended September 30, 2020 and 2019 were 44,104 million yen and 74,832 million yen, respectively. Restructuring charges (structural reform expenses) mainly include impairment losses and special termination benefits.

Impairment losses for the six months ended September 30, 2020 include 24,589 million yen in the Hitachi Metals segment, mainly consisting of 15,657 million yen in impairment losses due to the lower than expected future revenue projected for the magnetic materials business, representing impairment losses on property, plant and equipment of 10,356 million yen and on intangible assets of 5,301 million yen. The recoverable amount was determined on the basis of value in use, which was measured at 74,875 million yen as of September 30, 2020, the date on which impairment losses were recognized. The value in use was discounted at 10.1% (before tax), which was derived from the weighted average cost of capital.

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

(11) Financial Income and Expenses

The main components of financial income and expenses for the six months ended September 30, 2020 and 2019 are as follows:

	Millions of yen	
	2020	2019
Dividends received	2,091	3,699
Exchange gain (loss)	(3,633)	1,209

Dividends received for the six months ended September 30, 2020 and 2019 are from FVTOCI financial assets.

Notes to Condensed Quarterly Consolidated Financial Statements
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(12) Discontinued Operations

In the Energy segment, the Company classified the part of thermal power generation systems business which was not transferred to Mitsubishi Hitachi Power Systems, Ltd. (currently Mitsubishi Power, Ltd.) for business integration in the thermal power generation systems business with Mitsubishi Heavy Industries, Ltd. but was operated by the Company and certain subsidiaries as discontinued operations in the 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 six months ended September 30, 2020 and 2019 are as follows:

	Millions of yen	
	2020	2019
Profit or loss from discontinued operations		
Revenues	7	20
Cost of sales and expenses	(693)	(817)
Loss from discontinued operations, before income taxes	(686)	(797)
Income taxes	-	1
Loss from discontinued operations	(686)	(796)

	Millions of yen	
	2020	2019
Cash flows from discontinued operations		
Cash flows from operating activities	(611)	(1,805)
Cash flows from investing activities	-	-
Cash flows from financing activities	736	1,851

Notes to Condensed Quarterly Consolidated Financial Statements
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(13) Earnings Per Share (EPS) Information

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the six months ended September 30, 2020 and 2019 are as follows:

Six months ended September 30

	Number of shares	
	2020	2019
Weighted average number of shares on which basic EPS is calculated	965,926,306	965,694,756
Effect of dilutive securities		
Stock options	680,140	876,160
Restricted stock	469,809	319,930
Restricted stock units	8,544	-
Number of shares on which diluted EPS is calculated	967,084,799	966,890,846

	Millions of yen	
	2020	2019
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	251,441	190,089
Effect of dilutive securities	-	-
Diluted	251,441	190,089
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(686)	(796)
Effect of dilutive securities	-	-
Diluted	(686)	(796)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	250,755	189,293
Effect of dilutive securities	-	-
Diluted	250,755	189,293

	Yen	
	2020	2019
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	260.31	196.84
Diluted	260.00	196.60
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(0.71)	(0.82)
Diluted	(0.71)	(0.82)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	259.60	196.02
Diluted	259.29	195.77

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2020

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the three months ended September 30, 2020 and 2019 are as follows:

Three months ended September 30

	Number of shares	
	2020	2019
Weighted average number of shares on which basic EPS is calculated	965,946,906	965,701,551
Effect of dilutive securities		
Stock options	680,140	876,160
Restricted stock	453,873	310,871
Restricted stock units	7,474	-
Number of shares on which diluted EPS is calculated	967,088,393	966,888,582

	Millions of yen	
	2020	2019
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	27,853	69,377
Effect of dilutive securities	-	-
Diluted	27,853	69,377
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(349)	(387)
Effect of dilutive securities	-	-
Diluted	(349)	(387)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	27,504	68,990
Effect of dilutive securities	-	-
Diluted	27,504	68,990

	Yen	
	2020	2019
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	28.83	71.84
Diluted	28.80	71.75
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(0.36)	(0.40)
Diluted	(0.36)	(0.40)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	28.47	71.44
Diluted	28.44	71.35

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2020

(14) Contingencies

Litigation

In November 2017, a subsidiary in Japan received a complaint that was filed against three companies, namely a construction company of a condominium complex, the subsidiary and a secondary subcontractor, by a contractee in Japan seeking approximately 45.9 billion yen in compensation for expenses allegedly incurred arising from concerns over partial deficiencies of piling work during the construction phases of the condominium complex, which the subsidiary contracted as the primary subcontractor. In July 2018, the compensation claim against these three companies was amended to approximately 51.0 billion yen by the contractee.

In relation to the aforementioned lawsuit, in April 2018, the subsidiary in Japan received a complaint that was filed against the subsidiary and the secondary subcontractor, by the construction company of the condominium complex seeking approximately 49.6 billion yen in compensation for expenses allegedly incurred arising from the aforementioned lawsuit. In July 2018, the compensation claim against these two companies was amended to approximately 54.8 billion yen by the construction company of the condominium complex. Although the subsidiary in Japan will address these claims and explain its position, there can be no assurance that it will not be held liable for any amounts claimed.

In December 2017, a subsidiary in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of 263 million euro (32,662 million yen) and interest allegedly incurred by performance defects of a power plant. As of September 30, 2020, the amount of compensation claimed by the customer was changed to 270 million euro (33,530 million yen). Although the subsidiary in Europe will vigorously defend itself against this lawsuit, there can be no assurance that it will not be held liable for any amounts claimed.

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

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

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

(15) Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements were approved on November 12, 2020 by Toshiaki Higashihara, President and CEO of the Company.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	November 11, 2020
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Toshiaki Higashihara, President & CEO
[Name and title of CFO]	Yoshihiko Kawamura, 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. Yoshihiko Kawamura, Senior Vice President and Executive Officer, confirmed that statements contained in the Quarterly Report for the second quarter of the 152nd fiscal year (from July 1, 2020 to September 30, 2020) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.