

[Translation]

Quarterly Report

(The Second Quarter of 153rd Business Term)

From July 1, 2021 to September 30, 2021

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.

Contents

Part I Information on the Company	1
I. Overview of the Company	1
1. Key Financial Data	1
2. Description of Business	2
II. Business Overview	3
1. Risk Factors	3
2. Management’s Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows ...	3
3. Material Agreements, etc.	9
III. Information on the Company	10
1. Information on the Company’s Stock, etc.	10
(1) Total number of shares, etc.	10
(2) Information on the stock acquisition rights, etc.	10
(3) Information on moving strike convertible bonds, etc.	10
(4) Changes in the total number of issued shares and the amount of common stock and other	10
(5) Major shareholders	11
(6) Information on voting rights	12
2. Changes in Senior Management	13
IV. Financial Information	13
Part II Information on Guarantors, etc. for the Company	13
[Condensed Quarterly Consolidated Financial Statements]	F1
[Confirmation Letter]	A1

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, 2020	Six months ended September 30, 2021	Year ended March 31, 2021
Revenues	3,760,057 [2,165,780]	4,832,665 [2,465,228]	8,729,196
Income from continuing operations, before income taxes	384,254	420,107	844,443
Net income attributable to Hitachi, Ltd. stockholders	250,755 [27,504]	322,444 [200,213]	501,613
Comprehensive income attributable to Hitachi, Ltd. stockholders	285,855	366,183	838,237
Total Hitachi, Ltd. stockholders' equity	2,915,955	3,824,891	3,525,502
Total equity	3,572,774	4,750,232	4,458,232
Total assets	10,616,015	12,879,522	11,852,853
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	259.60 [28.47]	333.67 [207.17]	519.29
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	259.29	333.24	518.51
Total Hitachi, Ltd. stockholders' equity ratio (%)	27.5	29.7	29.7
Net cash provided by operating activities	214,491	161,468	793,128
Net cash used in investing activities	(703,884)	(951,429)	(458,840)
Net cash provided by financing activities	433,819	646,539	(184,838)
Cash and cash equivalents at end of period	759,882	880,966	1,015,886

(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, 2020 and 2021, respectively.

2. Description of Business

There were no material changes in principal businesses of Hitachi during the six months ended September 30, 2021. The Hitachi Group is comprised of the Company, 873 consolidated subsidiaries, and 290 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, 2021 were as follows.

(As of September 30, 2021)

Main products and services	BU and principal affiliated companies	
	BU	Affiliated companies
<u>IT</u>		[Consolidated subsidiaries] (Change in company name) (Note 1) Hitachi Channel Solutions Corp. (New) (Note 2) GlobalLogic Worldwide Holdings, Inc. (Change in company name) (Note 3) Hitachi Global Digital Holdings LLC
<u>Energy</u>	(New) (Note 4) Power Grid BU	[Consolidated subsidiaries] (Change in company name) (Note 5) Hitachi Energy Ltd
<u>Smart Life</u>		[Equity-method associates] (Change by reorganization and Change in company name) (Note 6) Arcelik Hitachi Home Appliances B.V. Arcelik Hitachi Home Appliances (Thailand) Ltd.
<u>Automotive Systems</u> (Reclassification of segment) (Note 7) Automotive Systems (Powertrain, Chassis, Advanced Driver Assistance, Motorcycle)		[Consolidated subsidiaries] (Reclassification of segment) (Note 7) Hitachi Astemo, Ltd. Hitachi Astemo Americas, Inc.

- (Notes) 1. Hitachi-Omron Terminal Solutions, Corp. changed its name to Hitachi Channel Solutions Corp. on July 1, 2021.
2. GlobalLogic Worldwide Holdings, LLC. has become a consolidated subsidiary of the Company on July 13, 2021 as Hitachi Global Digital Holdings LLC, a consolidated subsidiary of the Company, acquired 100% of the outstanding shares of GlobalLogic Worldwide Holdings, LLC.
3. Hitachi Global Digital Holdings Corporation changed its name to Hitachi Global Digital Holdings LLC on April 1, 2021.
4. Power Grid BU was newly established on April 1, 2021
5. Hitachi ABB Power Grids Ltd changed its name to Hitachi Energy Ltd on June 30, 2021.
6. Arcelik Hitachi Home Appliance B.V. has become an equity-method associate of the Company as the company took over Hitachi Group's home appliances business outside Japan and started its business on July 1, 2021. In this process, Hitachi Consumer Products (Thailand), Ltd., which was a major subsidiary of the Company, has become an equity-method associate of the Company and changed its name to Arcelik Hitachi Home Appliance (Thailand) Ltd. as Arcelik Hitachi Home Appliance B.V. inherited the shares of Hitachi Consumer Products (Thailand), Ltd.
7. Hitachi Astemo, Ltd., Hitachi Astemo Americas, Inc. and their main products and services, Automotive Systems, were spun off from the Smart Life segment to the Automotive Systems segment newly established on April 1, 2021
8. In addition to the table above, Hitachi Capital Corporation, which was a major equity-method associate of the Company, merged with Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.) and ceased to be an equity-method affiliate of the Company on April 1, 2021

II. Business Overview

1. Risk Factors

There were no new risk factors recognized during the six months ended September 30, 2021.

There were no material changes in the risk factors stated in the Annual Securities Report for the 152nd 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, 2021 were as follows.

Revenues increased 29% to 4,832.6 billion yen, as compared with the six months ended September 30, 2020, due mainly to the recovery of market conditions worsened by the impact of COVID-19 (the new coronavirus infection) and the impact of foreign exchange, as well as increased in revenues resulting from the acquisition of the power grid business from ABB Ltd, the management integration related to Hitachi Astemo, Ltd. (the management integration among Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation and Nissin Kogyo Co., Ltd), and the acquisition of GlobalLogic Inc. ("GlobalLogic").

Cost of sales increased 30% to 3,647.3 billion yen, as compared with the six months ended September 30, 2020, and the ratio of cost of sales to revenues came to 75%, which was the same level as for the six months ended September 30, 2020. Gross profit increased 24% to 1,185.2 billion yen, as compared with the six months ended September 30, 2020.

Selling, general and administrative expenses ("SG&A") increased 13% to 875.2 billion yen and the ratio of SG&A to revenues decreased 3% to 18%, as compared with the six months ended September 30, 2020, respectively.

Adjusted operating income (presented as revenues less cost of sales as well as SG&A) increased 129.2 billion yen to 310.0 billion yen, as compared with the six months ended September 30, 2020.

Other income decreased 178.0 billion yen to 105.1 billion yen, as compared with the six months ended September 30, 2020, due mainly to the gains on business reorganization and others posted in the six months ended September 30, 2020 by selling shares of Hitachi Chemical Company, Ltd. The decrease was partially offset by the gains on business reorganization and others posted by selling a part of shares of Arcelik Hitachi Home Appliances B.V. Other expenses decreased 48.7 billion yen to 21.1 billion yen, as compared with the six months ended September 30, 2020, due mainly to the impairment losses posted in the six months ended September 30, 2020 owing to the lower than expected revenues for the magnetic material business in Hitachi Metals.

Financial income (excluding interest income) increased 7.1 billion yen to 9.2 billion yen, and financial expenses (excluding interest charges) decreased 3.7 billion yen to 1.2 billion yen, as compared with the six months ended September 30, 2020, respectively. The main reason for these changes are posting the exchange gain as compared with the loss posted in the six months ended September 30, 2020.

Share of profits of investments accounted for using the equity method improved 28.3 billion yen to 23.4 billion yen, as compared with the six months ended September 30, 2020.

EBIT (earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges) increased 39.2 billion yen to 425.4 billion yen, as compared with the six months ended September 30, 2020.

Interest income decreased 0.5 billion yen to 7.6 billion yen and interest charges increased 2.8 billion yen to 13.0 billion yen, as compared with the six months ended September 30, 2020, respectively.

Income from continuing operations, before income taxes increased 35.8 billion yen to 420.1 billion yen, as compared with the six months ended September 30, 2020.

Income taxes decreased 81.1 billion yen to 55.6 billion yen, as compared with the six months ended September 30, 2020, due mainly to the impact of taxes associated with business reorganizations.

Net income increased 117.7 billion to 364.4 billion yen, as compared with the six months ended September 30, 2020.

Net income attributable to non-controlling interests improved 46.0 billion yen to 41.9 billion yen, as compared with the six months ended September 30, 2020.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased 71.6 billion yen to 322.4 billion yen, as compared with the six months ended September 30, 2020.

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, 2021, the automotive systems business, which is composed of Hitachi Astemo, Ltd. and its affiliated companies, was spun off from the Smart Life segment as the Automotive Systems segment. Accordingly, the amounts previously reported for the six months ended September 30, 2020 have been restated in conformity with the new segments.

(IT)

Revenues increased 3% to 976.6 billion yen, as compared with the six months ended September 30, 2020, due mainly to the growth of Lumada business including increased revenues by the acquisition of GlobalLogic.

Adjusted operating income increased 4.3 billion yen to 112.3 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased revenues and improved cost structure.

EBIT increased 8.9 billion yen to 106.7 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased adjusted operating income, as well as the impairment losses on property posted in the six months ended September 30, 2020.

(Energy)

Revenues increased 69% to 675.0 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased revenues by the acquisition of the power grid business from ABB Ltd. The increase was partially offset by decreased revenues due to the workload change in Nuclear Energy business and the strategy change of wind power generation system business.

Adjusted operating income improved 6.2 billion yen to loss of 0.8 billion yen, as compared with the six months ended September 30, 2020, due mainly to the acquisition of the power grid business from ABB Ltd and cost reduction.

EBIT improved 24.3 billion yen to profit of 13.8 billion yen as compared with the six months ended September 30, 2020, due mainly to increased adjusted operating income.

(Industry)

Revenues increased 8% to 393.0 billion yen, as compared with the six months ended September 30, 2020, due mainly to higher sales at JR Technology Group, LLC in industry and distribution business resulting from the recovery of market conditions, air conditioning system business in water and environment business, and industrial products business.

Adjusted operating income increased 11.5 billion yen to 25.5 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased revenues, as well as improved profitability of digital solution business in industry and distribution business.

EBIT increased 10.0 billion yen to 25.7 billion yen as compared with the six months ended September 30, 2020, due mainly to increased adjusted operating income.

(Mobility)

Revenues increased 32% to 709.4 billion yen, as compared with the six months ended September 30, 2020, due mainly to the expansion of business for China in the building systems business, the recovery of market conditions in the railway systems business as well as the impact of foreign exchange.

Adjusted operating income increased 5.1 billion yen to 44.9 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased revenues.

EBIT increased 26.3 billion yen to 67.6 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased adjusted operating income as well as the gains by selling a part of shares of Agility Trains East (Holdings) Limited stock.

(Smart Life)

Revenues decreased 16% to 511.0 billion yen, as compared with the six months ended September 30, 2020, due mainly to decreased revenues by the sale of diagnostic imaging-related business and the sale of a part of the overseas home appliance business as well as withdrawal in a part of industrial solution business in Hitachi High-Tech Corporation.

Adjusted operating income decreased 9.8 billion yen to 36.2 billion yen, as compared with the six months ended September 30, 2020, due mainly to decreased revenues as well as product mix difference and an increase in strategic investments.

EBIT increased ¥46.0 billion yen to 91.6 billion yen, as compared with the six months ended September 30, 2020, due mainly to the gains on business reorganization and others posted by selling a part of shares of Arcelik Hitachi Home Appliances B.V., despite decreased adjusted operating income.

(Automotive Systems)

Revenues increased 134% to 755.9 billion yen, as compared with the six months ended September 30, 2020, due mainly to the management integration related to Hitachi Astemo, Ltd. and improvement of capacity utilization rate which was deteriorated in the six months ended September 30, 2020 by the spread of COVID-19. The increase was partially offset by reduced production by automobile manufacturers due to semiconductor shortage and reduced component supply due to the lockdown owing to the spread of COVID-19.

Adjusted operating income improved 41.0 billion yen to 22.3 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased revenues. The increase was partially offset by reduced production by automobile manufacturers due to semiconductor shortage and soaring raw material prices.

EBIT improved 48.5 billion yen to profit of 21.1 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased adjusted operating income.

(Hitachi Construction Machinery)

Revenues increased 31% to 473.6 billion yen, as compared with the six months ended September 30, 2020, due mainly to the recovery of market conditions and price adjustment in the Americas market.

Adjusted operating income increased 27.1 billion yen to 37.5 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased revenues and the impact of foreign exchange, despite cost increase mainly in steel prices.

EBIT increased 37.4 billion yen to 43.3 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased adjusted operating income and share of profits of investments accounted for using the equity method.

(Hitachi Metals)

Revenues increased 34% to 456.3 billion yen, as compared with the six months ended September 30, 2020, due mainly to the recovery of market condition including an increase demand for products for automobile.

Adjusted operating income improved 27.6 billion yen to 15.2 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased revenues.

EBIT improved 54.7 billion yen to 15.9 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased adjusted operating income and the impairment losses posted in the six months ended September 30, 2020 owing to the lower than expected revenues for the magnetic material business.

(Others)

Revenues increased 4% to 217.4 billion yen, as compared with the six months ended September 30, 2020. Adjusted operating income increased 4.3 billion to 11.8 billion yen, and EBIT increased 9.2 billion yen to 19.7 billion yen, as compared with the six months ended September 30, 2020, respectively.

Revenues by Market

Revenues in Japan increased 4% to 1,912.4 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased revenues in the Automotive Systems segment resulting from the management integration related to Hitachi Astemo, Ltd. and the recovery of market conditions, and increased revenues in Hitachi Metals, despite decreased revenues in the Smart Life sector owing to the impact of selling diagnostic imaging-related business and withdrawal in a part of industrial solution business in Hitachi High-Tech Corporation.

Overseas revenues increased 52% to 2,920.1 billion yen, as compared with the six months ended September 30, 2020, due mainly to increased revenues in the Automotive Systems segment resulting from the management integration related to Hitachi Astemo, Ltd. and the recovery of market conditions and increased revenues in the Energy sector resulting from the acquisition of the power grid business from ABB Ltd, despite decreased revenues in the Smart Life sector owing to the impact of selling diagnostic imaging-related business and a part of overseas home appliance business.

As a result, the ratio of overseas revenues to total revenues increased 9% to 60%, as compared with the six months ended September 30, 2020.

(2) Analysis of Financial Condition and Cash Flows

Liquidity and Capital Resources

During the six months ended September 30, 2021, 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, 2021 increased by 117.7 billion yen, as compared with the six months ended September 30, 2020. Net cash outflow from a change in trade payables decreased by 125.1 billion yen, as compared with the six months ended September 30, 2020. However, net cash outflow from a change in inventories increased by 142.4 billion yen, as compared with the six months ended September 30, 2020. Net cash inflow from a change in trade receivables and contract assets decreased by 87.5 billion yen and income tax payment increased by 38.7 billion yen, as compared with the six months ended September 30, 2020, respectively.

As a result of the foregoing, net cash provided by operating activities was 161.4 billion yen in the six months ended September 30, 2021, a decrease of 53.0 billion yen compared with the six months ended September 30, 2020.

(Cash Flows from Investing Activities)

Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the six months ended September 30, 2021 decreased by 84.8 billion yen, as compared with the six months ended September 30, 2020, due mainly to the purchase of shares of Hitachi Energy Ltd. in the six months ended September 30, 2020, despite the purchase of shares of GlobalLogic Worldwide Holdings, Inc. in the six months ended September 30, 2021. However, net amount of investments related to property, plant and equipment* was 169.5 billion yen in the six months ended September 30, 2021. This net sum increased by 23.0 billion yen, as compared with the six months ended September 30, 2020. Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the six months ended September 30, 2021 decreased by

329.5 billion yen, as compared with the six months ended September 30, 2020, due mainly to the sale of shares of Hitachi Chemical Company, Ltd. in the six months ended September 30, 2020.

As a result of the foregoing, net cash used in investing activities was 951.4 billion yen in the six months ended September 30, 2021, an increase of 247.5 billion yen compared with the six months ended September 30, 2020.

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

(Cash Flows from Financing Activities)

Net cash inflow from a change in short-term debt in the six months ended September 30, 2021, decreased by 229.7 billion yen, as compared with the six months ended September 30, 2020. Net cash outflow related to long-term debt** in the six months ended September 30, 2021, increased by 46.5 billion yen, as compared with the six months ended September 30, 2020. However, net cash outflow related to purchase of shares of consolidated subsidiaries from non-controlling interests in the six months ended September 30, 2021 decreased by 511.3 billion yen, as compared with the six months ended September 30, 2020, due mainly to the purchase of shares of Hitachi High-Tech Corporation in the six months ended September 30, 2020.

As a result of the foregoing, net cash provided by financing activities was 646.5 billion yen in the six months ended September 30, 2021, an increase of 212.7 billion yen compared with the six months ended September 30, 2020.

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

As a result of the foregoing, cash and cash equivalents as of September 30, 2021, were 880.9 billion yen, a decrease of 134.9 billion yen from March 31, 2021. Free cash flows, the sum of cash flows from operating and investing activities, were an outflow of 789.9 billion yen in the six months ended September 30, 2021, a decrease of 300.5 billion yen compared with the six months ended September 30, 2020.

Assets, Liabilities and Equity

The following is an overview of Hitachi's assets, liabilities and equity as of September 30, 2021.

Total assets were 12,879.5 billion yen, an increase of 1,026.6 billion yen from March 31, 2021, due mainly to increased goodwill by the acquisition of GlobalLogic, despite decreases in trade receivables and contract assets, and cash and cash equivalents.

Total interest-bearing debt, the sum of short-term debt and long-term debt, was 3,313.6 billion yen, an increase of 916.2 billion yen from March 31, 2021.

Total Hitachi, Ltd. stockholders' equity increased by 299.3 billion yen from March 31, 2021, to 3,824.8 billion yen. The ratio of total Hitachi, Ltd. stockholders' equity to total assets was 29.7%, which was the same level as of March 31, 2021.

Non-controlling interests were 925.3 billion yen, a decrease of 7.3 billion yen from March 31, 2021.

Total equity was 4,750.2 billion yen, an increase of 292.0 billion yen from March 31, 2021. The ratio of interest-bearing debt to total equity was 0.70, as compared with 0.54 as of March 31, 2021.

(3) Management Policy

There were no material changes in Hitachi's management policy during the six months ended September 30, 2021.

(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, 2021.

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, 2021.

(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 152nd 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, 2021 were 153.5 billion yen, 3.2% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Six months ended September 30, 2021
IT	25.6
Energy	18.1
Industry	5.0
Mobility	14.7
Smart Life	23.7
Automotive Systems	38.0
Hitachi Construction Machinery	12.5
Hitachi Metals	6.2
Others	0.8
Corporate Items	8.2
Total	153.5

(6) Property, Plant and Equipment

The major property, plants and equipment materially changed during the six months ended September 30, 2021 are as follows.

Breakdown by Segment

(As of September 30, 2021)

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	
Smart Life (Note)	16,166 [2,333]	60,624	30,552	26,050	16,514	-	7,950	157,856	18,474
Automotive Systems (Note)	52,522 [10,357]	125,353	245,008	30,401	25,181	-	80,163	558,628	66,344

(Note) From April 1, 2021, the automotive systems business, which is composed of Hitachi Astemo, Ltd. and its affiliated companies, was spun off from the Smart Life segment as the Automotive Systems segment. As a result, the book value of the facilities in the Smart Life segment materially decreased.

(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, 2022 is updated as follows (new installation and expansions, based on the amount recorded as tangible fixed assets and the investment property). The amount of capital investment which is shown in the Initial Plan is the amount planned as of the filing date of the Annual Securities Report for the 152nd business term.

Segment	The amount of capital investment for the fiscal year ending March 31, 2022 (Billions of yen)	
	Initial Plan	Updated Plan
IT	55.0	63.0
Energy	40.0	40.0
Industry	19.0	19.0
Mobility	26.0	26.0
Smart Life	38.0	40.0
Automotive Systems	105.0	94.0
Hitachi Construction Machinery	60.0	55.0
Hitachi Metals	40.0	40.0
Others	26.0	23.0
Corporate Items & Elimination	24.0	24.0
Total	433.0	424.0

- (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, 2021.

III. Information on the Company

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

(1) Total number of shares, etc.

1) Total number of shares

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

2) Issued shares

Class	Number of shares issued as of the end of third quarter (shares) (September 30, 2021)	Number of shares issued as of the filing date (shares) (Note) (November 12, 2021)	Stock exchange on which the Company is listed	Description
Common stock	968,234,877	968,234,877	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	968,234,877	968,234,877	-	-

(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, 2021 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, 2021 to September 30, 2021	—	968,234,877	—	461,731	—	179,697

(5) Major shareholders

(As of September 30, 2021)

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	146,527,000	15.15
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	57,245,000	5.92
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)	23,192,903	2.40
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	20,000,099	2.07
NATS CUMCO (Standing proxy: Mizuho Bank, Ltd.)	C/O Citibank, New York 111 Wall Street, New York, NY, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	19,751,946	2.04
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	19,655,187	2.03
JP Morgan Chase Bank 385632 (Standing proxy: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (15-1, Konan 2-chome, Minato-ku, Tokyo)	19,051,529	1.97
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	One Lincoln Street, Boston MA USA 02111 (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	18,729,570	1.94
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)	16,995,518	1.76
State Street Bank West Client - Treaty 505234 (Standing Proxy: Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	16,504,587	1.71
Total	-	357,653,339	36.98

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

2. Some reports on substantial shareholdings regarding the Company under the Financial Instruments and Exchange Act are available for public inspection. However, the information in the reports is not described in the above table since the Company does not confirm the actual status of shareholdings as of September 30, 2021. 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%

(6) Information on voting rights

1) Issued shares

(As of September 30, 2021)

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 1,016,800	—	—
Shares with full voting right (others)	Common stock 964,881,600	9,648,816	—
Shares less than one unit	Common stock 2,336,477	—	—
Number of issued shares	968,234,877	—	—
Total number of voting rights	—	9,648,816	—

(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, 2021)

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	983,600	—	983,600	0.10
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	2,100	—	2,100	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	17,600	—	17,600	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	10,500	—	10,500	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	3,000	—	3,000	0.00
Total	—	1,016,800	—	1,016,800	0.11

2. Changes in Senior Management

There were no changes in senior managements from the filing date of the Annual Securities Report for the 152nd business term pursuant to the Financial Instruments and Exchange of Act of Japan to September 30, 2021.

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, 2021	March 31, 2021
Assets			
Current assets			
Cash and cash equivalents		880,966	1,015,886
Trade receivables and contract assets	6	2,562,110	2,734,476
Inventories		1,855,257	1,653,395
Investments in securities and other financial assets	7	338,295	328,153
Other current assets	5	287,188	211,390
Total current assets		5,923,816	5,943,300
Non-current assets			
Investments accounted for using the equity method	5	386,782	472,105
Investments in securities and other financial assets	5,7	598,768	534,324
Property, plant and equipment		2,390,796	2,408,887
Goodwill	5	2,012,092	1,161,210
Other intangible assets	5	1,192,751	964,830
Other non-current assets		374,517	368,197
Total non-current assets		6,955,706	5,909,553
Total assets		12,879,522	11,852,853
Liabilities			
Current liabilities			
Short-term debt		1,433,523	416,635
Current portion of long-term debt	7	242,854	274,392
Other financial liabilities	7	232,307	288,973
Trade payables		1,496,195	1,515,954
Accrued expenses		657,497	698,553
Contract liabilities		931,767	933,844
Other current liabilities	5	404,026	468,579
Total current liabilities		5,398,169	4,596,930
Non-current liabilities			
Long-term debt	7	1,637,277	1,706,329
Retirement and severance benefits		428,788	433,954
Other non-current liabilities	7	665,056	657,408
Total non-current liabilities		2,731,121	2,797,691
Total liabilities		8,129,290	7,394,621
Equity			
Hitachi, Ltd. stockholders' equity			
Common stock		461,731	460,790
Capital surplus	5,7	71,765	84,040
Retained earnings	8	2,984,796	2,710,604
Accumulated other comprehensive income		309,500	273,561
Treasury stock, at cost		(2,901)	(3,493)
Total Hitachi, Ltd. stockholders' equity		3,824,891	3,525,502
Non-controlling interests	5,7	925,341	932,730
Total equity		4,750,232	4,458,232
Total liabilities and equity		12,879,522	11,852,853

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Six months ended September 30, 2021 and 2020

Millions of yen

	Note	2021	2020
Revenues	9	4,832,665	3,760,057
Cost of sales		(3,647,380)	(2,801,409)
Gross profit		1,185,285	958,648
Selling, general and administrative expenses		(875,230)	(777,860)
Other income	5,10	105,159	283,232
Other expenses	5,10	(21,184)	(69,925)
Financial income	11	9,282	2,091
Financial expenses	11	(1,255)	(4,992)
Share of profits (losses) of investments accounted for using the equity method		23,404	(4,988)
EBIT (Earnings before interest and taxes)		425,461	386,206
Interest income		7,665	8,203
Interest charges		(13,019)	(10,155)
Income from continuing operations, before income taxes		420,107	384,254
Income taxes		(55,693)	(136,855)
Income from continuing operations		364,414	247,399
Income (loss) from discontinued operations	12	0	(686)
Net income		364,414	246,713
Net income attributable to:			
Hitachi, Ltd. stockholders		322,444	250,755
Non-controlling interests		41,970	(4,042)
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	13		Yen
Basic		333.67	260.31
Diluted		333.24	260.00
Earnings per share attributable to Hitachi, Ltd. stockholders	13		
Basic		333.67	259.60
Diluted		333.24	259.29

Condensed Quarterly Consolidated Statement of Comprehensive Income

Six months ended September 30, 2021 and 2020

Millions of yen

	Note	2021	2020
Net income		364,414	246,713
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		(10,276)	24,242
Remeasurements of defined benefit plans		-	-
Share of OCI of investments accounted for using the equity method		(232)	528
Total items not to be reclassified into net income		(10,508)	24,770
Items that can be reclassified into net income			
Foreign currency translation adjustments		40,409	7,343
Net changes in cash flow hedges		1,879	3,131
Share of OCI of investments accounted for using the equity method		15,985	7,641
Total items that can be reclassified into net income		58,273	18,115
Other comprehensive income (OCI)		47,765	42,885
Comprehensive income		412,179	289,598
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		366,183	285,855
Non-controlling interests		45,996	3,743

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Three months ended September 30, 2021 and 2020

Millions of yen

	Note	2021	2020
Revenues		2,465,228	2,165,780
Cost of sales		(1,856,710)	(1,621,981)
Gross profit		608,518	543,799
Selling, general and administrative expenses		(428,946)	(421,381)
Other income		69,882	1,093
Other expenses		(12,223)	(56,814)
Financial income		8,560	115
Financial expenses		(524)	(4,499)
Share of profits (losses) of investments accounted for using the equity method		11,524	(16,525)
EBIT (Earnings before interest and taxes)		256,791	45,788
Interest income		3,026	4,547
Interest charges		(6,565)	(5,790)
Income from continuing operations, before income taxes		253,252	44,545
Income taxes		(25,787)	(23,974)
Income from continuing operations		227,465	20,571
Income (loss) from discontinued operations		0	(349)
Net income		227,465	20,222
Net income attributable to:			
Hitachi, Ltd. stockholders		200,213	27,504
Non-controlling interests		27,252	(7,282)
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders	13		Yen
Basic		207.17	28.83
Diluted		206.91	28.80
Earnings per share attributable to Hitachi, Ltd. stockholders	13		
Basic		207.17	28.47
Diluted		206.91	28.44

Condensed Quarterly Consolidated Statement of Comprehensive Income

Three months ended September 30, 2021 and 2020

Millions of yen

	Note	2021	2020
Net income		227,465	20,222
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		5,072	6,780
Remeasurements of defined benefit plans		-	-
Share of OCI of investments accounted for using the equity method		16	489
Total items not to be reclassified into net income		5,088	7,269
Items that can be reclassified into net income			
Foreign currency translation adjustments		33,947	(3,672)
Net changes in cash flow hedges		(4,835)	1,958
Share of OCI of investments accounted for using the equity method		5,289	12,503
Total items that can be reclassified into net income		34,401	10,789
Other comprehensive income (OCI)		39,489	18,058
Comprehensive income		266,954	38,280
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		239,161	43,564
Non-controlling interests		27,793	(5,284)

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Changes in Equity

Six months ended September 30, 2021

Millions of yen

	2021							
	Common stock	Capital surplus (note 7)	Retained earnings (note 8)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 7)	Total equity
Balance at beginning of period	460,790	84,040	2,710,604	273,561	(3,493)	3,525,502	932,730	4,458,232
Changes in equity								
Reclassified into retained earnings	-	-	4,923	(4,923)	-	-	-	-
Net income	-	-	322,444	-	-	322,444	41,970	364,414
Other comprehensive income	-	-	-	43,739	-	43,739	4,026	47,765
Dividends to Hitachi, Ltd. stockholders	-	-	(53,175)	-	-	(53,175)	-	(53,175)
Dividends to non-controlling interests	-	-	-	-	-	-	(32,423)	(32,423)
Acquisition of treasury stock	-	-	-	-	(146)	(146)	-	(146)
Sales of treasury stock	-	(296)	-	-	738	442	-	442
Issuance of new shares	941	941	-	-	-	1,882	-	1,882
Changes in non-controlling interests	-	(12,920)	-	(2,877)	-	(15,797)	(20,962)	(36,759)
Total changes in equity	941	(12,275)	274,192	35,939	592	299,389	(7,389)	292,000
Balance at end of period	461,731	71,765	2,984,796	309,500	(2,901)	3,824,891	925,341	4,750,232

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

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Cash Flows

Six months ended September 30, 2021 and 2020

Millions of yen

	Note	2021	2020
Cash flows from operating activities:			
Net income		364,414	246,713
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization		263,048	225,857
Impairment losses		2,072	41,605
Income taxes		55,693	136,855
Share of (profits) losses of investments accounted for using the equity method		(23,404)	4,988
Financial income and expenses		892	445
Net (gain) loss on business reorganization and others		(97,540)	(282,424)
(Gain) loss on sale of property, plant and equipment		(6,864)	(27)
Change in trade receivables and contract assets		173,636	261,231
Change in inventories		(232,911)	(90,468)
Change in trade payables		(27,268)	(152,436)
Change in accrued expenses		(43,136)	(18,022)
Change in retirement and severance benefits		(14,064)	(7,940)
Other		(130,613)	(73,885)
Subtotal		283,955	292,492
Interest received		8,487	6,762
Dividends received		7,099	12,308
Interest paid		(12,546)	(10,308)
Income taxes paid		(125,527)	(86,763)
Net cash provided by (used in) operating activities		<u>161,468</u>	<u>214,491</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment		(138,828)	(113,636)
Purchase of intangible assets		(66,258)	(50,078)
Proceeds from sale of property, plant and equipment, and intangible assets		35,523	17,214
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	5	(921,457)	(1,006,259)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)		106,152	435,737
Other		33,439	13,138
Net cash provided by (used in) investing activities		<u>(951,429)</u>	<u>(703,884)</u>
Cash flows from financing activities:			
Change in short-term debt, net		895,309	1,125,074
Proceeds from long-term debt		26,699	16,026
Payments on long-term debt		(167,850)	(110,664)
Proceeds from payments from non-controlling interests		-	2,593
Dividends paid to Hitachi, Ltd. stockholders		(53,127)	(48,223)
Dividends paid to non-controlling interests		(33,165)	(18,540)
Acquisition of common stock for treasury		(146)	(51)
Proceeds from sales of treasury stock		442	578
Purchase of shares of consolidated subsidiaries from non-controlling interests		(21,607)	(532,955)
Other		(16)	(19)
Net cash provided by (used in) financing activities		<u>646,539</u>	<u>433,819</u>
Effect of exchange rate changes on cash and cash equivalents		8,502	3,125
Change in cash and cash equivalents		<u>(134,920)</u>	<u>(52,449)</u>
Cash and cash equivalents at beginning of period		<u>1,015,886</u>	<u>812,331</u>
Cash and cash equivalents at end of period		<u>880,966</u>	<u>759,882</u>

See accompanying notes to condensed quarterly consolidated financial statements.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

(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, 2021 comprise the Company, its subsidiaries and the Company's interests in associates and joint ventures. The Company's and its subsidiaries' businesses are global and diverse, and include manufacturing and services in nine segments consisting of IT, Energy, Industry, Mobility, Smart Life, Automotive Systems, Hitachi Construction Machinery, Hitachi Metals and Others.

(2) Basis of Presentation

As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards" pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of 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, 2021.

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, 2021.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

(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, 2021.

Income taxes for the six months ended September 30, 2021 are computed using the estimated annual effective tax rate.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

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

IT:

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

Energy:

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

Industry:

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

Mobility:

Building systems (Elevators, Escalators) and Railway systems

Smart Life:

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

Automotive Systems:

Powertrain, Chassis, Advanced driver assistance, Motorcycle

Hitachi Construction Machinery:

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

Hitachi Metals:

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

Others:

Optical disk drives, Property management and others

In January 2021, Hitachi Automotive Systems, Ltd., a consolidated subsidiary of the Company, integrated management with Keihin Corporation, Showa Corporation, and Nissin Kogyo Co., Ltd and established Hitachi Astemo, Ltd. Subsequently, on April 1, 2021, in addition to the current five sectors which are the areas of focus of the Social Innovation Business, Hitachi Astemo, Ltd. was spun off from the Smart Life segment and positioned as a business alongside the five sectors. Also, this change will facilitate swift decision-making to establish a structure that will achieve smooth integration and growth strategies, create synergies and further accelerate the growth of the business. As a result, effective from April 1, 2021, the Automotive systems segment is identified as a separate reportable segment. Figures for the six months ended September 30, 2020 have been restated on the basis of the reclassification.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

The following tables show business segment information for the six months ended September 30, 2021 and 2020.

Revenues from External Customers

	Millions of yen	
	2021	2020
IT	900,426	876,360
Energy	651,013	376,751
Industry	319,485	290,063
Mobility	706,569	534,885
Smart Life	478,822	562,880
Automotive Systems	753,102	321,058
Hitachi Construction Machinery	472,623	360,824
Hitachi Metals	441,999	329,064
Others	103,743	101,858
Subtotal	4,827,782	3,753,743
Corporate items	4,883	6,314
Total	4,832,665	3,760,057

Revenues from Intersegment Transactions

	Millions of yen	
	2021	2020
IT	76,210	71,134
Energy	24,033	22,078
Industry	73,568	72,437
Mobility	2,929	3,839
Smart Life	32,225	44,565
Automotive Systems	2,854	2,354
Hitachi Construction Machinery	1,069	78
Hitachi Metals	14,353	11,767
Others	113,731	106,816
Subtotal	340,972	335,068
Corporate items and Eliminations	(340,972)	(335,068)
Total	-	-

Total Revenues

	Millions of yen	
	2021	2020
IT	976,636	947,494
Energy	675,046	398,829
Industry	393,053	362,500
Mobility	709,498	538,724
Smart Life	511,047	607,445
Automotive Systems	755,956	323,412
Hitachi Construction Machinery	473,692	360,902
Hitachi Metals	456,352	340,831
Others	217,474	208,674
Subtotal	5,168,754	4,088,811
Corporate items and Eliminations	(336,089)	(328,754)
Total	4,832,665	3,760,057

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

Segment Profit (Loss)

	Millions of yen	
	2021	2020
IT	106,793	97,820
Energy	13,828	(10,563)
Industry	25,765	15,705
Mobility	67,698	41,385
Smart Life	91,644	45,634
Automotive Systems	21,198	(27,376)
Hitachi Construction Machinery	43,394	5,990
Hitachi Metals	15,991	(38,799)
Others	19,769	10,494
Subtotal	406,080	140,290
Corporate items and Eliminations	19,381	245,916
Total	425,461	386,206
Interest income	7,665	8,203
Interest charges	(13,019)	(10,155)
Income from continuing operations, before income taxes	420,107	384,254

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.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures for the six months ended September 30, 2021, including the period up to the approval date of the condensed quarterly consolidated financial statements.

(a) Acquisition of Thales' ground transportation systems business

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

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

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

- (i) Tender Offeror will launch a tender offer (Tender Offer) for Hitachi Metals Shares, when conditions for the commencement of Tender Offer are satisfied, and the Company will not apply for Tender Offer with regard to all of the Hitachi Metals Shares held by the Company (Shares to Be Sold by the Company).
- (ii) In the event Tender Offer is enacted and Tender Offeror is unable to acquire all of the Hitachi Metals Shares (excluding treasury stock held by Hitachi Metals and Shares to Be Sold by the Company) in Tender Offer, Tender Offeror and the Company will request convening of a general meeting of shareholders on the matter of items required for implementation of share consolidation (Share Consolidation) on Hitachi Metals and exercise approval right for the proposal.
- (iii) As promptly as practically possible after Tender Offeror and the Company become holders of all shares of Hitachi Metals (excluding treasury stock held by Hitachi Metals) as a result of Share Consolidation, capital reduction and other measures (Capital Reduction) will be performed for Hitachi Metals in order to secure distributable amount required for acquisition of treasury stock by Hitachi Metals (Share Repurchase).
- (iv) Immediately after Capital Reduction takes effect, Shares to Be Sold by the Company will be transferred to Hitachi Metals as a result of Share Repurchase.

The consideration is expected to be approximately 382.0 billion yen.

Assuming the transaction is settled, it is expected that the Company will transfer Shares to Be Sold by the Company. As a result, the Company's ownership ratio of Hitachi Metals Shares will decrease from 53.4% to 0%, and Hitachi Metals will be deconsolidated. An expected gain on the sale of Hitachi Metals Shares in the amount of approximately 114.0 billion yen will be recognized in Other income in the consolidated statement of profit or loss. Furthermore, non-controlling interest in Hitachi Metals will decrease approximately 230.0 billion yen in the consolidated statement of changes in equity as a result of its deconsolidation.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

(c) Acquisition of GlobalLogic Inc.

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

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

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

	<u>Millions of yen</u>
Cash and cash equivalents	11,391
Trade receivables and contract assets	30,266
Other current assets	2,692
Non-current assets (excluding intangible assets)	4,324
Intangible assets	
Goodwill (not deductible for tax purposes)	821,128
Other intangible assets	<u>231,130</u>
Total	<u><u>1,100,931</u></u>
Current liabilities	134,272
Non-current liabilities	<u>44,409</u>
Total	<u><u>178,681</u></u>
Cash paid for the acquisition	<u><u>922,250</u></u>

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

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

Acquisition related costs included in Other expenses in the condensed quarterly consolidated statement of profit or loss for the six months ended September 30, 2021 were 3,874 million yen and approximately 4,000 million yen will be recorded in the year ending March 31, 2022.

In addition to this acquisition, Hitachi America Capital, Ltd. which is a subsidiary located in the U.S., repaid 1,074 million U.S. dollars (118,554 million yen) of certain loans owed by GlobalLogic.

The operating results of GlobalLogic for the period from the acquisition date to September 30, 2021 were not material.

On a pro forma basis, revenues and net income using an assumed acquisition date for GlobalLogic of April 1, 2021 would not differ materially from the amounts reported in the condensed quarterly consolidated financial statements for six months ended September 30, 2021.

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

On December 16, 2020, Hitachi Global Life Solutions, Inc. (Hitachi GLS), a consolidated subsidiary of the Company in the Smart Life segment, and Arçelik A.S. (Arçelik) signed a share purchase agreement to establish a new joint venture company.

Based on the agreement, Hitachi GLS established a new company and transferred its global home appliances business outside of Japan into the new company on July 1, 2021, and Hitachi GLS transferred 60% of the shares of common stock of the new company to Arçelik. The consideration is 350 million U.S. dollars (38,797 million yen). As a result, Hitachi GLS’s ownership ratio of shares of the new company decreased from 100% to 40%, and the new company turned into an equity-method associate of the Company.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

The following are the main Business Acquisitions and Divestitures for the six months ended September 30, 2020.

(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.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

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

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

Other intangible assets include material intangible assets in the amount of 414,544 million yen (customer relationships of 233,989 million yen, technology of 95,987 million yen, order backlog of 53,542 million yen, and brand license agreement of 31,026 million yen). These intangible assets are measured based on assumptions such as revenue growth rates, gross profit ratios, attrition rates of existing customers, royalty rates and discount rates.

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

Acquisition related costs of 8,300 million yen have been posted up to the year ended March 31, 2021, and acquisition related costs included in Other expenses in the condensed quarterly consolidated statement of profit or loss for the six months ended September 30, 2020 were 2,456 million yen.

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

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

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.

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

(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. 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.

(6) Trade Receivables and Contract Assets

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

	Millions of yen	
	September 30, 2021	March 31, 2021
Accounts receivable	1,619,255	1,948,569
Contract assets	804,398	634,318
Others	138,457	151,589
Total	2,562,110	2,734,476

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

Others include notes receivable and electronically recorded monetary claims.

(7) 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.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

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.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

(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, 2021 are as follows.

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

Millions of yen

	September 30, 2021		March 31, 2021	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
<u>Assets</u>				
Investments in securities and other financial assets				
Lease receivables	79,363	80,614	90,044	91,483
Debt securities	54,681	54,682	55,714	55,716
Long-term loans receivable	1,790	1,790	21,103	22,409
<u>Liabilities</u>				
Long-term debt [1]				
Bonds	356,077	357,845	365,959	367,537
Long-term borrowings	1,222,094	1,225,434	1,295,609	1,296,373

[1] Long-term debt is included in Current portion of long-term debt and Long-term debt in the 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.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

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, 2021.

September 30, 2021				Millions of yen
Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	92	-	15,661	15,753
Debt securities	9,681	4,667	5,529	19,877
Derivatives	-	29,660	88	29,748
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	320,740	1,352	109,106	431,198
Total financial assets at fair value	330,513	35,679	130,384	496,576
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	21,260	-	21,260
Total financial liabilities at fair value	-	21,260	-	21,260

March 31, 2021				Millions of yen
Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets				
Equity securities	131	-	9,865	9,996
Debt securities	12,749	4,548	6,054	23,351
Derivatives	-	34,981	87	35,068
FVTOCI financial assets:				
Investments in securities and other financial assets				
Equity securities	235,278	977	110,853	347,108
Total financial assets at fair value	248,158	40,506	126,859	415,523
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	26,739	-	26,739
Total financial liabilities at fair value	-	26,739	-	26,739

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

The following tables present the changes in Level 3 instruments measured on a recurring basis for the six months ended September 30, 2021 and 2020.

September 30, 2021				Millions of yen
Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	120,718	6,054	87	126,859
Gain (loss) in profit or loss [1]	1,738	(3)	1	1,736
Loss in OCI [2]	(96)	-	-	(96)
Purchases	6,457	500	-	6,957
Sales and redemption	(3,634)	(804)	-	(4,438)
Acquisitions and divestitures	(25)	(216)	-	(241)
Transfer from Level 3 [3]	(301)	-	-	(301)
Other	(90)	(2)	-	(92)
Balance at end of period	124,767	5,529	88	130,384
Unrealized gain relating to financial assets held at end of period [4]	1,705	5	1	1,711

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 [4]	(188)	45	(3)	(146)

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

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

[3] Transfer from Level 3 is mainly due to an investee becoming listed on the stock market.

[4] Unrealized gain (loss) relating to FVTPL financial assets held at the end of period is included in Financial income and Financial expenses in the condensed quarterly consolidated statement of profit or loss.

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

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

Put options on non-controlling interests of Hitachi Energy Ltd are measured at the present value of the exercise price. The carrying amount of the put options above as of September 30 and March 31, 2021 were 241,747 million yen and 237,805 million yen, respectively, included in Other non-current liabilities in the condensed quarterly consolidated statement of financial position.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

(8) Dividends

Dividends paid on the Company's common stock for the six months ended September 30, 2021 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 12, 2021	53,175	Retained earnings	55.0	March 31, 2021	June 2, 2021

Dividends on the Company's common stock whose record date falls in the six months ended September 30, 2021 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 27, 2021	58,035	Retained earnings	60.0	September 30, 2021	November 29, 2021

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

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

(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, 2021, the Company reclassified its reportable segments. Accordingly, figures for the six months ended September 30, 2020 have been restated on the basis of the reclassification. Details of the reclassification are described in note 4.

Millions of yen

September 30, 2021							
	Japan					Overseas Revenues Subtotal	Total Revenues
		Asia	North America	Europe	Other Areas		
IT	699,897	83,247	96,615	75,818	21,059	276,739	976,636
Energy	129,271	165,738	130,385	163,893	85,759	545,775	675,046
Industry	275,383	39,898	58,751	9,859	9,162	117,670	393,053
Mobility	158,504	351,955	27,490	144,705	26,844	550,994	709,498
Smart Life	268,570	128,574	40,539	64,023	9,341	242,477	511,047
Automotive Systems	218,299	281,003	147,342	63,028	46,284	537,657	755,956
Hitachi Construction Machinery	96,915	88,209	93,235	74,882	120,451	376,777	473,692
Hitachi Metals	196,494	98,043	131,641	21,096	9,078	259,858	456,352
Others	181,872	26,979	2,705	4,497	1,421	35,602	217,474
Subtotal	2,225,205	1,263,646	728,703	621,801	329,399	2,943,549	5,168,754
Corporate items and Eliminations	(312,729)	(15,490)	(2,598)	(4,027)	(1,245)	(23,360)	(336,089)
Total	1,912,476	1,248,156	726,105	617,774	328,154	2,920,189	4,832,665

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	322,892	155,477	58,282	53,180	17,614	284,553	607,445
Automotive Systems	122,048	75,200	66,632	38,316	21,216	201,364	323,412
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
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

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

The IT segment consists of Front Business and Services & Platforms, for which revenue amounted to 654,908 million yen and 393,663 million yen for the six months ended September 30, 2021 and 653,931 million yen and 372,025 million yen for the six months ended September 30, 2020, respectively (including intersegment transactions). Front Business is operated mainly in Japan, and Services & Platforms is operated mainly in Japan, North America and Europe.

The Company's revenues include revenue recognized based on the pattern of the cost accrual arising from long-term projects. Of the revenue recognized during the six months ended September 30, 2021 and 2020, the amount of revenue recognized based on the pattern of the cost accrual arising from long-term projects were 711,609 million yen and 580,280 million yen, respectively.

(b) Information about satisfaction of performance obligations

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

(IT)

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

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

Services & Platforms primarily sells control systems, software and IT products. Revenue is recognized when control over the goods is transferred to customers as performance obligations are satisfied at the point in time upon the completion or upon delivery of the goods. 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 solutions, which are operated mainly in Japan. The Mobility segment includes revenue from building systems and railway systems businesses. The building systems business is operated mainly in China and the railway systems business is operated mainly in Europe.

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

Further, in the sale of industrial equipment, etc. included in the Industry segment, and in the sale of elevators, etc. included in the Mobility segment, revenue is recognized when control over the goods is transferred to customers as performance obligations are satisfied at the point in time upon the completion or upon delivery of the goods. 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, Automotive Systems, Hitachi Construction Machinery, and Hitachi Metals segments, performance obligations are generally satisfied at a point in time upon completion or upon delivery of the goods, and revenue is recognized when control over goods is transferred to customers. 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, 2021

(10) Other Income and Expenses

The main components of other income and expenses for the six months ended September 30, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Net gain (loss) on sales and disposals of fixed assets	6,638	(814)
Impairment losses	(2,072)	(41,605)
Net gain (loss) on business reorganization and others	97,540	282,424
Special termination benefits	(2,673)	(2,499)

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, 2021 and 2020 were 4,745 million yen and 44,104 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.

(11) Financial Income and Expenses

The main components of financial income and expenses for the six months ended September 30, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Dividends received	2,031	2,091
Exchange gain (loss)	4,820	(3,633)

Dividends received for the six months ended September 30, 2021 and 2020 are from FVTOCI financial assets.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

(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, 2021 and 2020 are as follows:

	Millions of yen	
	2021	2020
Profit or loss from discontinued operations		
Revenues	0	7
Cost of sales and expenses	0	(693)
Income (loss) from discontinued operations, before income taxes	0	(686)
Income taxes	-	-
Income (loss) from discontinued operations	0	(686)

	Millions of yen	
	2021	2020
Cash flows from discontinued operations		
Cash flows from operating activities	0	(611)
Cash flows from investing activities	-	-
Cash flows from financing activities	0	736

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

(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, 2021 and 2020 are as follows:

Six months ended September 30

	Number of shares	
	2021	2020
Weighted average number of shares on which basic EPS is calculated	966,352,029	965,926,306
Effect of dilutive securities		
Stock options	525,145	680,140
Restricted stock	705,144	469,809
Restricted stock units	33,714	8,544
Number of shares on which diluted EPS is calculated	967,616,032	967,084,799

	Millions of yen	
	2021	2020
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	322,444	251,441
Effect of dilutive securities	-	-
Diluted	322,444	251,441
Net income (loss) from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	0	(686)
Effect of dilutive securities	-	-
Diluted	0	(686)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	322,444	250,755
Effect of dilutive securities	-	-
Diluted	322,444	250,755

	Yen	
	2021	2020
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	333.67	260.31
Diluted	333.24	260.00
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	0.00	(0.71)
Diluted	0.00	(0.71)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	333.67	259.60
Diluted	333.24	259.29

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the three months ended September 30, 2021 and 2020 are as follows:

Three months ended September 30

	Number of shares	
	2021	2020
Weighted average number of shares on which basic EPS is calculated	966,404,314	965,946,906
Effect of dilutive securities		
Stock options	499,000	680,140
Restricted stock	684,195	453,873
Restricted stock units	32,586	7,474
Number of shares on which diluted EPS is calculated	967,620,095	967,088,393

	Millions of yen	
	2021	2020
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	200,213	27,853
Effect of dilutive securities	-	-
Diluted	200,213	27,853
Net income (loss) from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	0	(349)
Effect of dilutive securities	-	-
Diluted	0	(349)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	200,213	27,504
Effect of dilutive securities	-	-
Diluted	200,213	27,504

	Yen	
	2021	2020
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	207.17	28.83
Diluted	206.91	28.80
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	0.00	(0.36)
Diluted	0.00	(0.36)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	207.17	28.47
Diluted	206.91	28.44

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2021

(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 (34,159 million yen) and interest allegedly incurred by performance defects of a power plant. As of September 30, 2021, the amount of compensation claimed by the customer was changed to 270 million euro (35,067 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, 2021 by Keiji Kojima, President and COO 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 12, 2021
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Keiji Kojima, President & COO
[Title and Name 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. Keiji Kojima, President & COO, and Mr. Yoshihiko Kawamura, Senior Vice President and Executive Officer, confirmed that statements contained in the Quarterly Report for the second quarter of the 153rd fiscal year (from July 1, 2021 to September 30, 2021) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.