

FOR IMMEDIATE RELEASE

**Hitachi Announces Consolidated Financial Results
for the Second Quarter Ended September 30, 2023**

Tokyo, October 27, 2023 --- Hitachi, Ltd. (TSE:6501) today announced its consolidated financial results for the second quarter of fiscal 2023, ended September 30, 2023

Summary

(Billions of yen)

	Six months ended September 30, 2022 (A)	Six months ended September 30, 2023 (B)	(B)/(A) (%)
1. Revenues	5,416.7	4,960.0	92
2. Adjusted operating income	324.6	325.4	100
3. Adjusted EBITA (Adjusted Earnings before interest, taxes and amortization)	393.0	400.9	102
4. Income before income taxes	282.1	322.0	114
5. Net income	200.8	232.3	116
6. Net income attributable to Hitachi, Ltd. stockholders	172.5	209.1	121
7. Earnings per share attributable to Hitachi, Ltd. stockholders	(Yen)	(Yen)	
Basic	180.01	224.14	125
Diluted	179.83	223.88	124

Notes: 1. The Company's consolidated financial statements are prepared based on IFRS.

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

3. "Adjusted EBITA" = Adjusted operating income + Acquisition-related amortization + Share of profits(losses) of investments accounted for using the equity method.

4. The figures are for 684 consolidated subsidiaries and 269 equity-method associates and joint ventures.

Condensed Quarterly Consolidated Statement of Profit or Loss

(Millions of yen)

	Six months ended September 30, 2022 (A)	Six months ended September 30, 2023 (B)	(B)/(A) (%)
Revenues	5,416,779	4,960,069	92
Cost of sales	(4,101,557)	(3,730,503)	91
Gross profit	1,315,222	1,229,566	93
Selling, general and administrative expenses	(990,593)	(904,084)	91
Adjusted operating income	324,629	325,482	100
Other income	74,508	21,566	29
Other expenses	(134,430)	(42,775)	32
Financial income	11,425	6,624	58
Financial expenses	(10,519)	(4,243)	40
Share of profits (losses) of investments accounted for using the equity method	26,677	33,232	125
EBIT (Earnings before interest and taxes)	292,290	339,886	116
Interest income	11,308	19,731	174
Interest charges	(21,453)	(37,561)	175
Income before income taxes	282,145	322,056	114
Income taxes	(81,299)	(89,718)	110
Net income	200,846	232,338	116
Net income attributable to:			
Hitachi, Ltd. stockholders	172,515	209,103	121
Non-controlling interests	28,331	23,235	82
Earnings per share attributable to Hitachi, Ltd. stockholders	Yen	Yen	
Basic	180.01	224.14	125
Diluted	179.83	223.88	124

Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2022 (A)	Six months ended September 30, 2023 (B)	(B)/(A) (%)
Net income	200,846	232,338	116
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI	(18,257)	32,280	-
Remeasurements of defined benefit plans	17,232	(165)	-
Share of OCI of investments accounted for using the equity method	571	397	70
Total items not to be reclassified into net income	(454)	32,512	-
Items that can be reclassified into net income			
Foreign currency translation adjustments	552,473	390,417	71
Net changes in cash flow hedges	(742)	10,704	-
Share of OCI of investments accounted for using the equity method	38,198	23,376	61
Total items that can be reclassified into net income	589,929	424,497	72
Other comprehensive income (OCI)	589,475	457,009	78
Comprehensive income	790,321	689,347	87
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders	681,216	641,493	94
Non-controlling interests	109,105	47,854	44

Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2023 (A)	As of September 30, 2023 (B)	(B)-(A)
Assets			
Current assets			
Cash and cash equivalents	833,283	905,838	72,555
Trade receivables and contract assets	2,874,987	2,994,935	119,948
Inventories	1,646,188	1,863,977	217,789
Investments in securities and other financial assets	346,916	324,652	(22,264)
Other current assets	227,161	343,102	115,941
Total Current assets	5,928,535	6,432,504	503,969
Non-current assets			
Investments accounted for using the equity method	478,620	522,586	43,966
Investments in securities and other financial assets	496,897	514,763	17,866
Property, plant and equipment	1,700,471	1,773,300	72,829
Goodwill	2,165,350	2,403,920	238,570
Other intangible assets	1,244,688	1,341,589	96,901
Other non-current assets	486,853	486,542	(311)
Total Non-current assets	6,572,879	7,042,700	469,821
Total Assets	12,501,414	13,475,204	973,790
Liabilities			
Current liabilities			
Short-term debt	777,650	897,839	120,189
Current portion of long-term debt	141,861	137,163	(4,698)
Other financial liabilities	263,748	283,131	19,383
Trade payables	1,548,497	1,576,224	27,727
Accrued expenses	720,961	722,831	1,870
Contract liabilities	1,241,366	1,474,394	233,028
Other current liabilities	472,095	484,126	12,031
Total Current liabilities	5,166,178	5,575,708	409,530
Non-current liabilities			
Long-term debt	1,293,837	1,340,846	47,009
Retirement and severance benefits	323,264	327,377	4,113
Other non-current liabilities	382,568	405,511	22,943
Total Non-current liabilities	1,999,669	2,073,734	74,065
Total Liabilities	7,165,847	7,649,442	483,595
Equity			
Hitachi, Ltd. stockholders' equity			
Common stock	462,817	463,417	600
Capital surplus	-	-	-
Retained earnings	3,637,184	3,782,729	145,545
Accumulated other comprehensive income	846,392	1,271,683	425,291
(Foreign currency translation adjustments)	635,260	1,017,524	382,264
(Remeasurements of defined benefit plans)	87,967	87,491	(476)
(Net changes in financial assets measured at fair value through OCI)	115,355	141,029	25,674
(Net changes in cash flow hedges)	7,810	25,639	17,829
Treasury stock, at cost	(3,539)	(102,018)	(98,479)
Total Hitachi, Ltd. stockholders' equity	4,942,854	5,415,811	472,957
Non-controlling interests	392,713	409,951	17,238
Total Equity	5,335,567	5,825,762	490,195
Total Liabilities and Equity	12,501,414	13,475,204	973,790

Condensed Quarterly Consolidated Statement of Changes in Equity

(Millions of yen)

Six months ended September 30, 2022								
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of period	461,731	46,119	3,197,725	639,263	(3,002)	4,341,836	1,013,441	5,355,277
Changes in equity								
Reclassified into retained earnings	-	-	50,950	(50,950)	-	-	-	-
Net income	-	-	172,515	-	-	172,515	28,331	200,846
Other comprehensive income	-	-	-	508,701	-	508,701	80,774	589,475
Dividends to Hitachi, Ltd. stockholders	-	-	(62,870)	-	-	(62,870)	-	(62,870)
Dividends to non-controlling interests	-	-	-	-	-	-	(23,114)	(23,114)
Acquisition of treasury stock	-	-	-	-	(138,695)	(138,695)	-	(138,695)
Sales of treasury stock	-	(94)	-	-	253	159	-	159
Issuance of new shares	1,086	1,086	-	-	-	2,172	-	2,172
Transfer to capital surplus from retained earnings	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	1,548	-	25,721	-	27,269	(431,701)	(404,432)
Total changes in equity	1,086	2,540	160,595	483,472	(138,442)	509,251	(345,710)	163,541
Balance at end of period	462,817	48,659	3,358,320	1,122,735	(141,444)	4,851,087	667,731	5,518,818

(Millions of yen)

Six months ended September 30, 2023								
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of period	462,817	-	3,637,184	846,392	(3,539)	4,942,854	392,713	5,335,567
Changes in equity								
Reclassified into retained earnings	-	-	6,282	(6,282)	-	-	-	-
Net income	-	-	209,103	-	-	209,103	23,235	232,338
Other comprehensive income	-	-	-	432,390	-	432,390	24,619	457,009
Dividends to Hitachi, Ltd. stockholders	-	-	(70,317)	-	-	(70,317)	-	(70,317)
Dividends to non-controlling interests	-	-	-	-	-	-	(30,291)	(30,291)
Acquisition of treasury stock	-	-	-	-	(98,685)	(98,685)	-	(98,685)
Sales of treasury stock	-	(152)	-	-	206	54	-	54
Issuance of new shares	600	600	-	-	-	1,200	-	1,200
Transfer to capital surplus from retained earnings	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	(448)	477	(817)	-	(788)	(325)	(1,113)
Total changes in equity	600	-	145,545	425,291	(98,479)	472,957	17,238	490,195
Balance at end of period	463,417	-	3,782,729	1,271,683	(102,018)	5,415,811	409,951	5,825,762

Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022 (A)	Six months ended September 30, 2023 (B)	(B)-(A)
Cash flows from operating activities			
Net Income	200,846	232,338	31,492
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	282,415	247,004	(35,411)
Impairment losses	62,695	6,156	(56,539)
Income taxes	81,299	89,718	8,419
Share of (profits) losses of investments accounted for using the equity method	(26,677)	(33,232)	(6,555)
Financial income and expenses	3,744	13,540	9,796
Net (gain) loss on business reorganization and others	(66,147)	(11,105)	55,042
(Gain) loss on sale of property, plant and equipment	(7,502)	(9,737)	(2,235)
Change in trade receivables and contract assets	140,808	165,915	25,107
Change in inventories	(252,751)	(137,760)	114,991
Change in trade payables	(53,265)	(76,507)	(23,242)
Change in accrued expenses	(47,403)	(29,928)	17,475
Change in retirement and severance benefits	51,023	889	(50,134)
Other	(83,696)	(70,472)	13,224
Subtotal	285,389	386,819	101,430
Interest received	11,476	19,810	8,334
Dividends received	11,595	7,032	(4,563)
Interest paid	(21,500)	(36,842)	(15,342)
Income taxes paid	(53,308)	(59,893)	(6,585)
Net cash provided by (used in) operating activities	233,652	316,926	83,274
Cash flows from investing activities			
Purchase of property, plant and equipment	(137,894)	(116,587)	21,307
Purchase of intangible assets	(71,133)	(79,165)	(8,032)
Proceeds from sale of property, plant and equipment, and intangible assets	45,262	20,689	(24,573)
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(30,508)	(12,049)	18,459
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	127,223	81,792	(45,431)
Other	(5,289)	(4,970)	319
Net cash provided by (used in) investing activities	(72,339)	(110,290)	(37,951)
Free cash flows	161,313	206,636	45,323
Cash flows from financing activities			
Change in short-term debt, net	12,224	57,653	45,429
Proceeds from long-term debt	72,167	3,199	(68,968)
Payments on long-term debt	(148,745)	(65,854)	82,891
Proceeds from payments from non-controlling interests	310	-	(310)
Dividends paid to Hitachi, Ltd. stockholders	(62,727)	(70,235)	(7,508)
Dividends paid to non-controlling interests	(40,026)	(20,099)	19,927
Acquisition of common stock for treasury	(138,695)	(98,685)	40,010
Proceeds from sales of treasury stock	159	54	(105)
Purchase of shares of consolidated subsidiaries from non-controlling interests	(32,705)	(362)	32,343
Other	(435)	-	435
Net cash provided by (used in) financing activities	(338,473)	(194,329)	144,144
Effect of exchange rate changes on cash and cash equivalents	74,349	60,248	(14,101)
Change in cash and cash equivalents	(102,811)	72,555	175,366
Cash and cash equivalents at beginning of period	968,827	833,283	(135,544)
Cash and cash equivalents at end of period	866,016	905,838	39,822

Segment Information
(1) Business Segments

(Millions of yen)

	Six months ended September 30, 2022 (A)	Six months ended September 30, 2023 (B)	(B)/(A) (%)
Digital Systems & Services	1,099,887 19%	1,192,502 23%	108
Green Energy & Mobility	1,062,353 19%	1,345,713 25%	127
Connective Industries	1,427,782 25%	1,463,850 28%	103
Automotive Systems	884,050 15%	1,035,217 20%	117
Hitachi Construction Machinery	475,114 8%	- -	-
Hitachi Metals	568,707 10%	- -	-
Others	233,792 4%	241,818 4%	103
Subtotal	5,751,685 100%	5,279,100 100%	92
Corporate items & Eliminations	(334,906)	(319,031)	-
Total Revenues	5,416,779	4,960,069	92
Digital Systems & Services	117,484 29%	135,061 33%	115
Green Energy & Mobility	54,333 13%	79,671 19%	147
Connective Industries	149,189 37%	145,719 36%	98
Automotive Systems	11,846 3%	41,291 10%	349
Hitachi Construction Machinery	43,226 11%	- -	-
Hitachi Metals	27,633 7%	- -	-
Others	(1,640) 0%	7,849 2%	-
Subtotal	402,071 100%	409,591 100%	102
Corporate items & Eliminations	(9,014)	(8,653)	-
Total Adjusted EBITA	393,057	400,938	102

Notes: 1. Revenues by business segment include intersegment transactions.

2. Effective from April 1, 2023, a portion of the business previously included in the Green Energy & Mobility segment has been transferred to Business Management Reinforcement Division, and included in the Others. Figures for the six months ended September 30, 2022 have been restated on the basis of the reclassification.

3. In August 2022, the Company sold a certain number of shares of Hitachi Construction Machinery Co., Ltd. (Hitachi Construction Machinery). As a result, Hitachi Construction Machinery and its subsidiaries, which were included in the Hitachi Construction Machinery segment, became equity-method associates of the Company. In January 2023, the Company sold all shares of Hitachi Metals, Ltd. (currently Proterial, Ltd.). As a result, Hitachi Metals, Ltd. was deconsolidated. Accordingly, the Hitachi Construction Machinery segment and the Hitachi Metals segment ceased to be business segments, but the segment figures for the six months ended September 30, 2022 and 2023 are disclosed individually to enhance fair disclosure. From the second quarter of the fiscal year ended March 31, 2023, the Company includes its share of profits (losses) of investments accounted for using the equity method of Hitachi Construction Machinery and its subsidiaries after the transfer of shares in Corporate items & Eliminations.

(2) Revenues by Market

(Millions of yen)

	Six months ended September 30, 2022 (A)	Six months ended September 30, 2023 (B)	(B)/(A) (%)
Japan	1,902,949 35%	1,769,829 36%	93
Asia	1,397,724 26%	1,229,468 25%	88
North America	977,205 18%	867,386 17%	89
Europe	743,625 14%	767,233 15%	103
Other Areas	395,276 7%	326,153 7%	83
Overseas Revenues Subtotal	3,513,830 65%	3,190,240 64%	91
Total Revenues	5,416,779 100%	4,960,069 100%	92

Notes

(1) Notes Regarding Going Concern

Not applicable.

(2) Subsequent Events

(a) Sale of shares of Hitachi Astemo, Ltd. (hereinafter "Hitachi Astemo")

On March 30, 2023, the Company entered into the following two agreements regarding the transfer of a part of the shares of Hitachi Astemo, a consolidated subsidiary of the Company in the Automotive Systems segment, to Hitachi Astemo and Honda Motor Co., Ltd. (hereinafter "Honda") and for inviting JIC Capital, Ltd. (hereinafter "JICC") as a new joint partner.

- (i) Share Subscription Agreement with JICC-01 Limited Partnership (hereinafter "JICC-01") managed by JICC-01 G.K., which is a wholly owned subsidiary of JICC including that Hitachi Astemo issues Class shares to JICC-01, and Hitachi Astemo purchases a part of shares of its common stocks held by the Company, using a portion of the funds raised through the issuance of Class shares
- (ii) Agreement for investment in kind and share transfer with Honda including that Hitachi Astemo issues common stocks to Honda in exchange for Honda to invest the shares of Hitachi Astemo Electric Motor Systems, Ltd. in kind and the Company transfers a part of shares of Hitachi Astemo's common stocks to Honda

On October 16, 2023, the series of transactions was completed. The Company's consideration was 157,807 million yen.

As a result of the series of transactions, the Company's ownership ratio of shares of Hitachi Astemo decreased from 66.6% to 40%, and Hitachi Astemo turned into an equity-method associate of the Company.

An expected gain on the sale of Hitachi Astemo shares in the amount of approximately 122.0 billion yen will be recognized in Other income in the consolidated statement of profit or loss for the fiscal year ending March 31, 2024. Furthermore, non-controlling interests in Hitachi Astemo will decrease approximately 272.0 billion yen in the consolidated statement of changes in equity for the fiscal year ending March 31, 2024.

(b) Cancellation of Treasury Shares

The Company cancelled its treasury shares pursuant to Article 178 of the Companies Act of Japan, as follows.

- (i) Class of cancelled shares
Common stock of the Company
- (ii) Number of cancelled shares
11,073,400 shares (1.18% of total number of outstanding shares before the cancellation)
- (iii) Total number of outstanding shares after the cancellation
927,167,877 shares
- (iv) Cancellation date
October 18, 2023
- (v) Accounting
Decreased in Capital surplus

Cautionary Statement

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

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

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

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

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