[Translation]

Quarterly Report

(The Third Quarter of 148th Business Term)

From October 1, 2016 to December 31, 2016

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

I. Overview of the Company

1. Key Financial Data

Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016	Year ended March 31, 2016
Revenues	7,230,258 [2,423,370]	6,519,311 [2,165,537]	10,034,305
Income from continuing operations, before income taxes	400,574	356,963	517,040
Net income attributable to Hitachi, Ltd. stockholders	172,966 [75,375]	191,264 [77,764]	172,155
Comprehensive income attributable to Hitachi, Ltd. stockholders	109,042	208,520	(127,557)
Total Hitachi, Ltd. stockholders' equity	2,988,750	2,884,773	2,735,078
Total equity	4,402,160	4,066,913	4,125,570
Total assets	12,823,028	9,640,179	12,551,005
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	35.82 [15.61]	39.61 [16.11]	35.65
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	35.79	39.60	35.62
Total Hitachi, Ltd. stockholders' equity ratio (%)	23.3	29.9	21.8
Net cash provided by operating activities	386,375	379,177	812,226
Net cash used in investing activities	(552,919)	(200,648)	(730,799)
Net cash provided by (used in) financing activities	228,671	(112,026)	(26,467)
Cash and cash equivalents at end of period	736,125	763,416	699,315

(Notes) 1. Hitachi's consolidated financial statements have been prepared in conformity with the International Financial Report Standards ("IFRS") as issued by the International Accounting Standards Board.
2. Revenues do not include the consumption tax, etc.
3. A part of the thermal power generation systems business is classified as a discontinued operation in accordance with the provision of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," which was not transferred to MITSUBISHI HITACHI POWER SYSTEMS, LTD. for the business integration in the thermal power generation systems with Mitsubishi Heavy Industries, Ltd. The results of the discontinued operation are reported separately from continuing operations.
4. 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 December 31, 2015 and 2016, respectively.

2. Description of Business

There were no material changes in principal businesses of Hitachi during the nine months ended December 31, 2016. The Hitachi Group is comprised of the Company, 914 consolidated subsidiaries, and 401 equity-method associates and joint-ventures.

Changes in businesses and principal affiliated companies for each segment during the nine months ended December 31, 2016 were as follows. Effective from April 1, 2016, the Company changed the name of the "Others (Logistics and Other services)" segment to the "Others" segment.

・ Hitachi Medical Corporation, which belongs to the Electronic Systems & Equipment segment, changed its name to Hitachi Healthcare Manufacturing, Ltd. as of April 1, 2016, following the reorganization of Hitachi's healthcare business.
・ Hitachi Transport System, Ltd., which belonged to the Others segment, has become an equity-method associate of the Company as a result of transfer of a part of its shares in Hitachi Transport System, Ltd. on May 19, 2016. Consequently, Hitachi Transport System, Ltd. and its group's major services of logistics have not belonged to any of segments since then.
・ Hitachi Capital Corporation, which belonged to the Financial Services segment, has become an equity-method associate of the Company as a result of transfer of a part of its shares in Hitachi Capital Corporation on October 3, 2016. Consequently, Hitachi

Capital Corporation and its group's major services of leasing and loan guarantees have not belonged to any of segments since then, and there is no company which belongs to the Financial Services segment since then.

II. Business Overview

1. Risk Factors

There were no new risk factors recognized during the nine months ended December 31, 2016.

There were no material changes in the risk factors stated in the Annual Securities Report for the 147th business term pursuant to the Financial Instruments and Exchange Act of Japan.

2. Material Agreements, etc.

No material agreements were entered into during the three months ended December 31, 2016.

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

(1) Outline of Business Results

Results of Operations

During the nine months ended December 31, 2016, in the U.S., consumer spending and housing investment remained firm due to improving employment, and capital investment and exports recovered. Meanwhile, in Europe, economies in the U.K. slowed due mainly to the result of the Brexit referendum, but those in the euro area continued to grow moderately, underpinned by increasing government expenditure and firm consumer spending. In China, although the economy was supported by infrastructure investments made by the government, the economic growth continued to slow. In emerging markets, tough economic conditions continued due mainly to accelerated capital outflow caused by currency depreciation against dollar, despite a slight recovery in crude oil and resource prices. In Japan, the yen appreciation continued until early November. However, the economy turned into upward momentum due to the recovery in consumer spending and the reversal of the strong yen trend.

Under these conditions, results of operations in the nine months ended December 31, 2016 were as follows.

Revenues decreased 10% to ¥6,519.3 billion, as compared with the nine months ended December 31, 2015, due mainly to lower revenues in the Information & Telecommunication Systems, High Functional Materials & Components, Smart Life & Ecofriendly Systems and Others segments. This decrease was partially offset by increased revenues in the Social Infrastructure & Industrial Systems segment.

Cost of sales decreased 10% to ¥4,817.1 billion, as compared with the nine months ended December 31, 2015, and the ratio of cost of sales to revenues accounted for 74%, which was the same level as the nine months ended December 31, 2015. Gross profit decreased 9% to ¥1,702.1 billion, as compared with the nine months ended December 31, 2015.

Selling, general and administrative expenses (“SG&A”) decreased 9% to ¥1,329.0 billion, as compared with the nine months ended December 31, 2015, and the ratio of SG&A to revenues was 20%, which was the same level as the nine months ended December 31, 2015.

Other income decreased ¥7.5 billion to ¥42.0 billion, as compared with the nine months ended December 31, 2015, due mainly to a decrease in net gain on business reorganization and others. Other expenses increased ¥18.3 billion to ¥69.2 billion, as compared with the nine months ended December 31, 2015, due mainly to an increase in impairment losses, despite lower special termination benefits, etc.

Financial income (excluding interest income) decreased ¥4.2 billion to ¥5.7 billion and financial expenses (excluding interest charges) increased ¥2.7 billion to ¥23.7 billion, as compared with the nine months ended December 31, 2015, respectively.

Share of profits of investments accounted for using the equity method increased ¥19.3 billion to ¥34.1 billion, as compared with the nine months ended December 31, 2015.

EBIT (earnings before interest and taxes, which is presented as income from continuing operations, before income taxes less interest income plus interest charges) decreased ¥48.8 billion to ¥362.0 billion, as compared with the nine months ended December 31, 2015.

Interest income increased ¥0.6 billion to ¥9.6 billion and interest charges decreased ¥4.6 billion to ¥14.7 billion, as compared with the nine months ended December 31, 2015, respectively.

Income from continuing operations, before income taxes decreased ¥43.6 billion to ¥356.9 billion, as compared with the nine months ended December 31, 2015.

Income taxes decreased ¥29.8 billion to ¥86.8 billion, as compared with the nine months ended December 31, 2015.

Loss from discontinued operations decreased ¥13.5 billion to ¥0.8 billion, as compared with the nine months ended December 31, 2015.

Net income decreased ¥0.2 billion to ¥269.2 billion, as compared with the nine months ended December 31, 2015.

Net income attributable to non-controlling interests decreased ¥18.5 billion to ¥77.9 billion, as compared with the nine months ended December 31, 2015.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders increased ¥18.2 billion to ¥191.2 billion, as compared with the nine months ended December 31, 2015.

Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions. Segment profit is measured by EBIT.

(Information & Telecommunication Systems)

Revenues decreased 7% to ¥1,397.3 billion, as compared with the nine months ended December 31, 2015, due mainly to the decreased revenues at overseas subsidiaries owing to negative impact of foreign currency translation and lower sales of ATMs for overseas markets.

Segment profit decreased ¥19.0 billion to ¥51.5 billion, as compared with the nine months ended December 31, 2015, due mainly to posting restructuring charges and exchange loss, despite the effect of structural reform centered on the telecommunications & network business and an improvement in profitability of the social infrastructure-related information systems.

(Social Infrastructure & Industrial Systems)

Revenues increased 5% to ¥1,587.6 billion, as compared with the nine months ended December 31, 2015, due mainly to substantial revenue increase in the rail systems business resulting from the acquisition of the business of AnsaldoBreda S.p.A. (excluding a part of its operations) and Ansaldo STS S.p.A., and from increased sales for the U.K. This increase was partially offset by the negative impact of foreign currency translation in the elevators and escalators business and revenue decrease in the industrial plant-related business that strategically promoted selective acceptance of orders.

Segment profit increased ¥2.7 billion to ¥36.5 billion, as compared with the nine months ended December 31, 2015, due mainly to increased revenues and share of profits of investments accounted for using the equity method.

(Electronic Systems & Equipment)

Revenues increased 1% to ¥817.8 billion, as compared with the nine months ended December 31, 2015, due mainly to higher revenues at Hitachi Koki Co., Ltd. owing to the acquisition of metabo Aktiengesellschaft, a German company, despite lower revenues at Hitachi Kokusai Electric Inc. owing to lower sales of semiconductor processing equipment and sluggish overseas sales of broadcasting equipment.

Segment profit increased ¥1.7 billion to ¥48.9 billion, as compared with the nine months ended December 31, 2015, due mainly to higher earnings at Hitachi High-Technologies Corporation which recorded firm sales of semiconductor processing equipment, despite decreased eranings at Hitachi Kokusai Electric Inc. owing to lower revenues and posting exchange loss.

(Construction Machinery)

Revenues decreased 8% to ¥507.0 billion, as compared with the nine months ended December 31, 2015, due mainly to the impact of weaker local currencies in Europe, Africa and Asia, and continued sluggish market conditions in Japan and the Americas.

Segment profit increased ¥3.7 billion to ¥9.2 billion, as compared with the nine months ended December 31, 2015, due mainly to an improvement of exchange profit (loss), despite lower revenues.

(High Functional Materials & Components)

Revenues decreased 10% to ¥1,067.3 billion, as compared with the nine months ended December 31, 2015, due mainly to lower revenues at Hitachi Metals, Ltd. resulting from decreased revenues at overseas subsidiaries owing to negative impact of foreign currency translation and declining demand associated with the slower economic growth in China and emerging countries in Asia.

Segment profit decreased ¥27.9 billion to ¥91.6 billion, as compared with the nine months ended December 31, 2015, due mainly to lower revenues, posting exchange loss and the absence of net gain on business reorganization and others related to the sale of equity interest in Hitachi Tool Engineering, Ltd. by Hitachi Metals, Ltd. recorded in the nine months ended December 31, 2015.

(Automotive Systems)

Revenues decreased 2% to ¥723.1 billion, as compared with the nine months ended December 31, 2015, due mainly to the negative impact of foreign currency translation, despite higher sales especially in North America and China, where demand for automobiles was firm.

Segment profit decreased ¥3.9 billion to ¥35.5 billion, as compared with the nine months ended December 31, 2015, due mainly to lower revenues.

(Smart Life & Ecofriendly Systems)

Revenues decreased 22% to ¥420.7 billion, as compared with the nine months ended December 31, 2015, due mainly to the effect of reorganization of the air-conditioning systems business with an equity-method associate, a joint venture company with Johnson Controls, Inc.

Segment profit decreased ¥15.5 billion to ¥19.2 billion, as compared with the nine months ended December 31, 2015, due mainly to decreased revenues resulting from the effect of the reorganization of the air-conditioning systems business and the absence of net gain on business reorganization and others related to the reorganization of the air-conditioning systems business recorded in the nine months ended December 31, 2015, despite an improvement in the share of profit of investments accounted for using the equity method.

(Others)

Revenues decreased 47% to ¥496.4 billion, as compared with the nine months ended December 31, 2015, due mainly to the conversion of Hitachi Transport System, Ltd. to an equity-method associate.

Segment profit decreased ¥23.4 billion to ¥14.6 billion, as compared with the nine months ended December 31, 2015, due mainly to lower revenues.

(Financial Services)

As Hitachi Capital Corporation was converted into an equity-method associate as of October 3, 2016, there is no company which belongs to the Financial Services segment. Consequently, revenues decreased 34% to ¥179.2 billion and segment profit decreased ¥12.9 billion to ¥22.8 billion, as compared with the nine months ended December 31, 2015, respectively.

Revenues by Market

Revenues in Japan decreased 9% to ¥3,300.5 billion, as compared with the nine months ended December 31, 2015, due mainly to revenue decrease in the Others segment, in which Hitachi Transport System, Ltd. was converted to an equity-method associate, and in the Financial Services segment, in which Hitachi Capital Corporation was converted to an equity-method associate, as well as lower revenues in the Electronic Systems & Equipment and High Functional Materials & Components segments.

Overseas revenues decreased 11% to ¥3,218.7 billion, as compared with the nine months ended December 31, 2015, due mainly to lower revenues in Asia mainly in the Social Infrastructure & Industrial Systems and Smart Life & Ecofriendly Systems segments, and in North America mainly in the Information & Telecommunication Systems and High Functional Materials & Components segments. This decrease was partially offset by higher revenues in Europe mainly in the Social Infrastructure & Industrial Systems segment.

As a result, the ratio of overseas revenues to total revenues decreased 1% to 49%, as compared with the nine months ended December 31, 2015.

(2) Summary of Financial Condition, etc.

Liquidity and Capital Resources

During the nine months ended December 31, 2016, 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 nine months ended December 31, 2016 decreased by ¥0.2 billion, as compared with the nine months ended December 31, 2015. Working capital in the nine months ended December 31, 2016 improved, due mainly to net cash inflow of ¥41.2 billion from a change in trade payables, as compared with net cash outflow of ¥66.5 billion in the nine months ended December 31, 2015, despite decreased net cash inflow from a decrease in trade receivables by ¥67.8 billion, as compared with the nine months ended December 31, 2015. Dividends received decreased by ¥13.7 billion as compared with the nine months ended December 31, 2015. As a result of the foregoing, net cash provided by operating activities was ¥379.1 billion in the nine months ended December 31, 2016, a decrease of ¥7.1 billion compared with the nine months ended December 31, 2015.

(Cash flows from investing activities)

Net amount of investments related to property, plant and equipment* was ¥364.4 billion in the nine months ended December 31, 2016. This net sum decreased by ¥110.4 billion compared with the nine months ended December 31, 2015. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the nine months ended December 31, 2016 decreased by ¥126.4 billion, as compared with the nine months ended December 31, 2015, in which there was spending on the acquisitions of the business of AnsaldoBreda S.p.A. (excluding a part of its operations) and Ansaldo STS S.p.A., and Pentaho Corporation. 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 nine months ended December 31, 2016 increased by ¥79.8 billion, as compared with the nine months ended December 31, 2015, due mainly to the transfer of a part of shares of Hitachi Transport System, Ltd. and Hitachi Capital Corporation. As a result of the foregoing, net cash used in investing activities was ¥200.6 billion in the nine months ended December 31, 2016, a decrease of ¥352.2 billion compared with the nine months ended December 31, 2015.

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

(Cash flows from financing activities)

Proceeds related to long-term debt** in nine months ended December 31, 2016 was ¥136.3 billion, an increase of ¥2.1 billion compared with the nine months ended December 31, 2015. Net cash outflow from a change in short-term debt in the nine months ended December 31, 2016 was ¥156.7 billion, as compared with net cash inflow of ¥199.7 billion in the nine months ended December 31, 2015. As a result of the foregoing, net cash used in financing activities was ¥112.0 billion in the nine months ended December 31, 2016, as compared with net cash inflow of ¥228.6 billion in the nine months ended December 31, 2015.

** 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 December 31, 2016 was ¥763.4 billion, an increase of ¥64.1 billion from March 31, 2016. Free cash flows, the sum of cash flows from operating and investing activities, were an inflow of ¥178.5 billion in the nine months ended December 31, 2016, as compared with an outflow of ¥166.5 billion in the nine months ended December 31, 2015.

Assets, Liabilities and Equity

The following is an overview of Hitachi's assets, liabilities and equity as of December 31, 2016.

Total assets were ¥9,640.1 billion, a decrease of ¥2,910.8 billion from March 31, 2016. This was due mainly to converting Hitachi Transport System, Ltd. and Hitachi Capital Corporation to equity-method associates and progress on collecting trade receivables recorded as of March 31, 2016.

Total interest-bearing debt, the sum of short-term debt and long-term debt, was ¥1,263.6 billion, a decrease of ¥2,340.8 billion from March 31, 2016. This was due mainly to converting Hitachi Capital Corporation to an equity-method associate.

Total Hitachi, Ltd. stockholders' equity increased by ¥149.6 billion from March 31, 2016, to ¥2,884.7 billion, due mainly to posting net income attributable to Hitachi, Ltd. stockholders, despite the effect of converting Hitachi Capital Corporation to an equity-method associate. The ratio of total Hitachi, Ltd. stockholders' equity to total assets increased 8.1% from March 31, 2016 to 29.9%.

Non-controlling interests were ¥1,182.1 billion, a decrease of ¥208.3 billion from March 31, 2016.

Total equity was ¥4,066.9 billion, a decrease of ¥58.6 billion from March 31, 2016. The ratio of interest-bearing debt to total equity was 0.31, as compared with 0.87 as of March 31, 2016.

(3) Challenges Facing Hitachi Group

1) Business and Financial Condition

There were no material changes in Hitachi's business strategy during the nine months ended December 31, 2016.

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

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

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

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

(4) 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 147th business term pursuant to the Financial Instruments and Exchange Act of Japan. The Hitachi Group's R&D expenditures in the nine months ended December 31, 2016 were ¥234.9 billion, 3.6% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Nine months ended December 31, 2016
Information & Telecommunication Systems	37.4
Social Infrastructure & Industrial Systems	34.7
Electronic Systems & Equipment	38.2
Construction Machinery	14.3
High Functional Materials & Components	34.6
Automotive Systems	52.5
Smart Life & Ecofriendly Systems	4.6
Others	1.4
Financial Services	0.0
Corporate	16.7
Total	234.9

(5) Property, Plants and Equipment

The major property, plants and equipment materially changed during the nine months ended December 31, 2016 are as follows.

Hitachi Group

(As of December 31, 2016)

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	Other	Construction in progress	Total	
Others (Note 1)	37,207 [2,027]	63,043	6,381	16,516	1,115	678	124,940	14,388
Financial Services (Note 2)	— [—]	—	—	—	—	—	—	—

(Notes) 1. The book value of the facilities in the Others segment materially decreased due mainly to the fact that Hitachi Transportation Ltd. has become an equity-method associate of the Company from its subsidiary on May 19, 2016.

2. As Hitachi Capital Corporation was converted into an equity-method associate of the Company from its subsidiary on October 3, 2016, there is no company which belongs to the Financial Services segment. Consequently, no property, plants and equipment was recorded in the segment.

The Company

(As of December 31, 2016)

Facility (Main location)	Segment	Details of major facilities and equipment	Book value (Millions of yen)							Number of employees
			Land [Area in thousands of m^2]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Other	Construction in progress	Total	
Healthcare Business Unit (Note) (Taito-ku, Tokyo)	Electronic Systems & Equipment	Manufacturing facilities for medical equipment	6,614 [93]	5,089	544	1,750	576	897	15,473	2,957

(Note) The Company newly discloses the facilities of Healthcare Business Unit as the major property, plants and equipment, since the book value of the facilities materially increased due mainly to the absorption-type company split in which the Company succeeded non-manufacturing divisions of Hitachi Medical Corporation and Hitachi Aloka Medical, Ltd. on April 1, 2016. In addition, the Company reorganized in-house companies into business units.

(6) 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, 2017 is updated as follows (new installation and expansions, based on the amount recorded as tangible fixed assets and the investment property) from the amount initially planned as of March 31, 2016.

(Billions of yen)

Segment	The amount of capital investment for the fiscal year ending March 31, 2017	
	Initial Plan	Updated Plan
Information & Telecommunication Systems	45.0	40.0
Social Infrastructure & Industrial Systems	70.0	70.0
Electronic Systems & Equipment	20.0	20.0
Construction Machinery	20.0	20.0
High Functional Materials & Components	110.0	105.0
Automotive Systems	80.0	60.0
Smart Life & Ecofriendly Systems	15.0	15.0
Others	20.0	20.0
Financial Services (Note 4)	45.0	67.5
Subtotal	425.0	417.5
Corporate items and Eliminations	0.0	0.0
Total	425.0	417.5

(Notes)
1. The figures in the above table include the amount of the tangible fixed assets leased under finance lease transactions 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.
4. Even though Hitachi Capital Corporation was planned to be accounted as the Company’s equity-method associate following the share transfer in August 2016, the effective date of transfer of shares was changed to October, 2016. As a result of the rescheduling, the amount of capital investment for the fiscal year ending March 31, 2017 in the Financial Services segment was updated.

(7) Forward-Looking Statements

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

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

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

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

III. Information on the Company

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

(1) Total number of shares, etc.

1) Total number of shares

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

2) Issued shares

Class	Number of shares issued as of the end of third quarter (shares) (December 31, 2016)	Number of shares issued as of the filing date (shares) (February 8, 2017)	Stock exchange on which the Company is listed	Description
Common stock	4,833,463,387	4,833,463,387	Tokyo, Nagoya	The number of shares per one unit of shares is 1,000 shares.
Total	4,833,463,387	4,833,463,387	―	―

(Note) The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from February 1, 2017 to February 8, 2017.

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

Not applicable.

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

Not applicable.

(4) Information on shareholder right plans

Not applicable.

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

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From October 1, 2016 to December 31, 2016	―	4,833,463,387	―	458,790	―	176,757

(6) Major shareholders

Not applicable.

(7) Information on voting rights

Information on voting rights as of September 30, 2016 is stated in this item because the Company does not identify the number of voting rights as of December 31, 2016 due to the lack of information on the number of the Company's shares held by the entity which the Company holds one quarter or more of total number of voting rights of such entity as of December 31, 2016.

1) Issued shares

(As of September 30, 2016)

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting right	－	－	－
Shares with restricted voting right (treasury stock, etc.)	－	－	－
Shares with restricted voting right (others)	－	－	－
Shares with full voting right (treasury stock, etc.)	Common stock 5,469,000	－	－
Shares with full voting right (others)	Common stock 4,805,769,000	4,805,769	－
Shares less than one unit	Common stock 22,225,387	－	－
Number of issued shares	4,833,463,387	－	－
Total number of voting rights	－	4,805,769	－

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

2) Treasury stock, etc.

(As of September 30, 2016)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	5,303,000	－	5,303,000	0.11
Aoyama Special Steel Co., Ltd.	1-12, Minato 1-chome, Chuo-ku, Tokyo	10,000	－	10,000	0.00
ISHII DENKOSHA Co., Ltd.	1-11, Oroshishinmachi 3-chome, Higashi-ku, Niigata-shi, Niigata	1,000	－	1,000	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	88,000	－	88,000	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	52,000	－	52,000	0.00
Mizuho Co., Inc.	4-1, Koishikawa 5-chome, Bunkyo-ku, Tokyo	15,000	－	15,000	0.00
Total	－	5,469,000	－	5,469,000	0.11

2. Changes in Senior Management

Changes in senior managements from the filing date of the Annual Securities Report for the 147th business term pursuant to the Financial Instruments and Exchange Act of Japan to December 31, 2016 were as follows.

1) Resignation [Effective July 31, 2016]

Name	Position (Responsibility)
John Domme................	Vice President and Executive Officer (Regional strategies (Americas))

(Note) Matters delegated to the Executive Officer by the Board of Directors are described in parentheses in "Position (Responsibility)" column.

2) Changes in Responsibility [Effective August 1, 2016]

Name	Former Position (Responsibility)	New Position (Responsibility)
Ryuichi Otsuki..................	Vice President and Executive Officer (ICT business (platform business))	Vice President and Executive Officer (ICT business (platform business) and regional strategies (Americas))

(Note) Matters delegated to the Executive Officer by the Board of Directors are described in parentheses in "New position (Responsibility)" column and "Former position (Responsibility)" column.

3) The Number of Men and Women and Women's Percentage after Changes in Senior Management
Men: 43 persons, Women: 2 persons
(Women's percentage to total number of Directors and Senior Management: 4%)

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

	December 31, 2016	March 31, 2016
Assets		
Current assets		
Cash and cash equivalents	763,416	699,315
Trade receivables (note 6)	2,184,405	2,992,770
Lease receivables (note 6)	39,733	338,758
Inventories	1,426,769	1,299,855
Other current assets (note 6)	530,788	541,857
Total current assets	4,945,111	5,872,555
Non-current assets		
Investments accounted for using the equity method	794,022	676,960
Investments in securities and other financial assets (note 6)	682,567	1,329,974
Lease receivables (note 6)	33,066	727,485
Property, plant and equipment	1,991,313	2,500,226
Intangible assets	923,742	1,070,403
Other non-current assets	270,358	373,402
Total non-current assets	4,695,068	6,678,450
Total assets	9,640,179	12,551,005
Liabilities		
Current liabilities		
Short-term debt	269,501	871,417
Current portion of long-term debt (note 6)	174,457	651,518
Other financial liabilities (note 6)	291,755	280,048
Trade payables	1,342,555	1,451,918
Accrued expenses	592,805	727,402
Advances received	488,377	480,457
Other current liabilities	460,780	531,456
Total current liabilities	3,620,230	4,994,216
Non-current liabilities		
Long-term debt (note 6)	819,677	2,081,520
Other financial liabilities (note 6)	40,691	115,155
Retirement and severance benefits	712,497	783,670
Other non-current liabilities	380,171	450,874
Total non-current liabilities	1,953,036	3,431,219
Total liabilities	5,573,266	8,425,435
Equity		
Hitachi, Ltd. stockholders' equity		
Common stock	458,790	458,790
Capital surplus	586,136	586,790
Retained earnings (note 7)	1,750,943	1,609,761
Accumulated other comprehensive income	92,776	83,543
Treasury stock, at cost	(3,872)	(3,806)
Total Hitachi, Ltd. stockholders' equity	2,884,773	2,735,078
Non-controlling interests	1,182,140	1,390,492
Total equity	4,066,913	4,125,570
Total liabilities and equity	9,640,179	12,551,005

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Nine months ended December 31, 2016 and 2015 — Millions of yen

	2016	2015
Revenues	6,519,311	7,230,258
Cost of sales	(4,817,183)	(5,360,333)
Gross profit	1,702,128	1,869,925
Selling, general and administrative expenses	(1,329,021)	(1,461,536)
Other income (note 8)	42,025	49,529
Other expenses (note 8)	(69,269)	(50,918)
Financial income (note 9)	5,796	10,077
Financial expenses (note 9)	(23,704)	(20,914)
Share of profits of investments accounted for using the equity method	34,100	14,789
EBIT (Earnings before interest and taxes)	362,055	410,952
Interest income	9,623	9,008
Interest charges	(14,715)	(19,386)
Income from continuing operations, before income taxes	356,963	400,574
Income taxes	(86,853)	(116,668)
Income from continuing operations	270,110	283,906
Loss from discontinued operations (note 10)	(869)	(14,423)
Net income	269,241	269,483
Net income attributable to:		
Hitachi, Ltd. stockholders	191,264	172,966
Non-controlling interests	77,977	96,517
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders (note 11)		Yen
Basic	39.79	38.81
Diluted	39.78	38.78
Earnings per share attributable to Hitachi, Ltd. stockholders (note 11)		
Basic	39.61	35.82
Diluted	39.60	35.79

Condensed Quarterly Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2016 and 2015 — Millions of yen

	2016	2015
Net income	269,241	269,483
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	36,164	(21,662)
Remeasurements of defined benefit plans	(719)	(494)
Share of OCI of investments accounted for using the equity method	(31)	(537)
Total items not to be reclassified into net income	35,414	(22,693)
Items that can be reclassified into net income		
Foreign currency translation adjustments	(26,592)	(79,559)
Net changes in cash flow hedges	18,434	7,244
Share of OCI of investments accounted for using the equity method	(10,717)	5,869
Total items that can be reclassified into net income	(18,875)	(66,446)
Other comprehensive income (OCI)	16,539	(89,139)
Comprehensive income	285,780	180,344
Comprehensive income attributable to:		
Hitachi, Ltd. stockholders	208,520	109,042
Non-controlling interests	77,260	71,302

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Three months ended December 31, 2016 and 2015 — Millions of yen

	2016	2015
Revenues	2,165,537	2,423,370
Cost of sales	(1,597,575)	(1,803,870)
Gross profit	567,962	619,500
Selling, general and administrative expenses	(427,695)	(485,118)
Other income	885	18,155
Other expenses	(25,959)	(7,458)
Financial income	1,941	2,631
Financial expenses	(4,425)	(2,181)
Share of profits of investments accounted for using the equity method	30,781	2,792
EBIT (Earnings before interest and taxes)	143,490	148,321
Interest income	4,047	3,518
Interest charges	(4,739)	(5,958)
Income from continuing operations, before income taxes	142,798	145,881
Income taxes	(33,291)	(39,583)
Income from continuing operations	109,507	106,298
Loss from discontinued operations	(893)	(2,665)
Net income	108,614	103,633
Net income attributable to:		
Hitachi, Ltd. stockholders	77,764	75,375
Non-controlling interests	30,850	28,258
Earnings per share from continuing operations, attributable to Hitachi, Ltd. stockholders (note 11)		Yen
Basic	16.29	16.16
Diluted	16.28	16.16
Earnings per share attributable to Hitachi, Ltd. stockholders (note 11)		
Basic	16.11	15.61
Diluted	16.10	15.60

Condensed Quarterly Consolidated Statement of Comprehensive Income

Three months ended December 31, 2016 and 2015 — Millions of yen

	2016	2015
Net income	108,614	103,633
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	52,601	19,178
Remeasurements of defined benefit plans	(255)	(1,625)
Share of OCI of investments accounted for using the equity method	790	(538)
Total items not to be reclassified into net income	53,136	17,015
Items that can be reclassified into net income		
Foreign currency translation adjustments	203,025	(26,351)
Net changes in cash flow hedges	(5,322)	7,631
Share of OCI of investments accounted for using the equity method	30,921	985
Total items that can be reclassified into net income	228,624	(17,735)
Other comprehensive income (OCI)	281,760	(720)
Comprehensive income	390,374	102,913
Comprehensive income attributable to:		
Hitachi, Ltd. stockholders	289,676	78,421
Non-controlling interests	100,698	24,492

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Changes in Equity

Nine months ended December 31, 2016

Millions of yen

2016								
	Common stock	Capital surplus	Retained earnings (note 7)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note5)	Total equity
Balance at beginning of period	458,790	586,790	1,609,761	83,543	(3,806)	2,735,078	1,390,492	4,125,570
Changes in equity								
Reclassified into retained earnings	-	-	7,857	(7,857)	-	-	-	-
Net income	-	-	191,264	-	-	191,264	77,977	269,241
Other comprehensive income(loss)	-	-	-	17,256	-	17,256	(717)	16,539
Dividends to Hitachi, Ltd. stockholders	-	-	(57,939)	-	-	(57,939)	-	(57,939)
Dividends to non-controlling interests	-	-	-	-	-	-	(37,476)	(37,476)
Acquisition of treasury stock	-	-	-	-	(106)	(106)	-	(106)
Sales of treasury stock	-	(15)	-	-	40	25	-	25
Changes in non-controlling interests	-	(639)	-	(166)	-	(805)	(248,136)	(248,941)
Total changes in equity	-	(654)	141,182	9,233	(66)	149,695	(208,352)	(58,657)
Balance at end of period	458,790	586,136	1,750,943	92,776	(3,872)	2,884,773	1,182,140	4,066,913

Nine months ended December 31, 2015

Millions of yen

2015								
	Common stock	Capital surplus	Retained earnings (note 7)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of period	458,790	608,416	1,477,517	401,100	(3,542)	2,942,281	1,354,061	4,296,342
Changes in equity								
Reclassified into retained earnings	-	-	9,816	(9,816)	-	-	-	-
Net income	-	-	172,966	-	-	172,966	96,517	269,483
Other comprehensive loss	-	-	-	(63,924)	-	(63,924)	(25,215)	(89,139)
Dividends to Hitachi, Ltd. stockholders	-	-	(57,941)	-	-	(57,941)	-	(57,941)
Dividends to non-controlling interests	-	-	-	-	-	-	(39,265)	(39,265)
Acquisition of treasury stock	-	-	-	-	(260)	(260)	-	(260)
Sales of treasury stock	-	1	-	-	15	16	-	16
Changes in non-controlling interests	-	(4,440)	-	52	-	(4,388)	27,312	22,924
Total changes in equity	-	(4,439)	124,841	(73,688)	(245)	46,469	59,349	105,818
Balance at end of period	458,790	603,977	1,602,358	327,412	(3,787)	2,988,750	1,413,410	4,402,160

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Cash flows

Nine months ended December 31, 2016 and 2015 — Millions of yen

	2016	2015
Cash flows from operating activities:		
Net income	269,241	269,483
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	320,915	372,305
Impairment losses	28,407	3,847
Income taxes	86,919	116,668
Share of profits of investments accounted for using the equity method	(34,100)	(14,029)
Financial income and expenses	(393)	1,246
Net gain on business reorganization and others	(39,184)	(47,671)
(Gain) loss on sale of property, plant and equipment	(704)	3,948
Change in trade receivables	116,473	184,292
Change in inventories	(184,285)	(163,589)
Change in other assets	(2,780)	(26,954)
Change in trade payables	41,279	(66,538)
Change in retirement and severance benefits	(30,268)	(51,590)
Change in other liabilities	(81,899)	(93,704)
Other	5,976	15,172
Subtotal	495,597	502,886
Interest received	8,420	9,064
Dividends received	12,710	26,418
Interest paid	(15,653)	(20,773)
Income taxes paid	(121,897)	(131,220)
Net cash provided by (used in) operating activities	379,177	386,375
Cash flows from investing activities:		
Purchase of property, plant and equipment	(231,553)	(283,113)
Purchase of intangible assets	(70,069)	(79,827)
Purchase of leased assets	(264,487)	(392,234)
Proceeds from sale of property, plant and equipment, and intangible assets	26,696	8,843
Proceeds from sale of leased assets	10,415	20,110
Collection of lease receivables	164,516	251,285
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(34,269)	(160,710)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	157,702	77,863
Other	40,401	4,864
Net cash provided by (used in) investing activities	(200,648)	(552,919)
Cash flows from financing activities:		
Change in short-term debt, net	(156,740)	199,782
Proceeds from long-term debt	488,144	548,196
Payments on long-term debt	(351,809)	(414,058)
Proceeds from payments from non-controlling interests	7,009	963
Dividends paid to Hitachi, Ltd. stockholders	(57,977)	(57,929)
Dividends paid to non-controlling interests	(36,300)	(41,492)
Acquisition of common stock for treasury	(106)	(260)
Proceeds from sales of treasury stock	25	16
Purchase of shares of consolidated subsidiaries from non-controlling interests	(4,305)	(6,441)
Proceeds from partial sales of shares of consolidated subsidiaries to non-controlling interests	60	-
Other	(27)	(106)
Net cash provided by (used in) financing activities	(112,026)	228,671
Effect of exchange rate changes on cash and cash equivalents	(2,402)	(27,705)
Change in cash and cash equivalents	64,101	34,422
Cash and cash equivalents at beginning of period	699,315	701,703
Cash and cash equivalents at end of period	763,416	736,125

See accompanying notes to condensed quarterly consolidated financial statements.

Notes to Condensed Quarterly Consolidated Financial Statements
December 31, 2016

(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 nine months ended December 31, 2016 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 information and telecommunication systems, social infrastructure and industrial systems, electronic systems and equipment, construction machinery, high functional materials and components, automotive systems, smart life and ecofriendly systems, others and financial services.

(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 the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), the condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting", as permitted by the provision of Article 93 of the Ordinance. They do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the financial statements and notes included in the Company's annual consolidated financial statements for the year ended March 31, 2016.

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

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

Judgments, estimates and assumptions that could have a material effect on these condensed quarterly consolidated financial statements are basically the same as those disclosed in the Company's annual consolidated financial statements for the year ended March 31, 2016.

(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, 2016.

Income taxes for the nine months ended December 31, 2016 are computed using the estimated annual effective tax rate.

(4) Segment Information

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

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

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

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

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

Construction Machinery:
Hydraulic excavators, Wheel loaders and Mining machinery

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

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

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

Others:
Optical disk drives, Property management and others

Financial Services:
Leasing and Loan guarantees

Effective from April 1, 2016, the Company changed the name of Others (Logistics and other services) to Others.
In October 2016, the Company sold a certain number of shares of Hitachi Capital Corporation. As a result, Hitachi Capital Corporation and its subsidiaries, which were included in the Financial Services segment, became the equity-method associates of the Company. Accordingly, from the beginning of the third quarter of this fiscal year, the Company includes its share of profits of investments accounted for using the equity method of Hitachi Capital Corporation and its subsidiaries in Corporate items and Eliminations.

The following tables show business segment information for the nine months ended December 31, 2016 and 2015.

Revenues from Outside Customers

Millions of yen

	2016	2015
Information & Telecommunication Systems	1,268,331	1,329,500
Social Infrastructure & Industrial Systems	1,398,182	1,329,333
Electronic Systems & Equipment	744,855	727,197
Construction Machinery	500,289	537,561
High Functional Materials & Components	1,025,977	1,140,449
Automotive Systems	720,690	737,895
Smart Life & Ecofriendly Systems	399,587	513,174
Others	287,330	654,743
Financial Services	170,583	256,688
Subtotal	6,515,824	7,226,540
Corporate items	3,487	3,718
Total	6,519,311	7,230,258

Revenues from Intersegment Transactions

Millions of yen

	2016	2015
Information & Telecommunication Systems	129,054	172,146
Social Infrastructure & Industrial Systems	189,463	185,083
Electronic Systems & Equipment	73,043	80,910
Construction Machinery	6,717	11,581
High Functional Materials & Components	41,418	47,791
Automotive Systems	2,466	3,632
Smart Life & Ecofriendly Systems	21,138	25,884
Others	209,105	280,944
Financial Services	8,629	16,235
Subtotal	681,033	824,206
Corporate items and Eliminations	(681,033)	(824,206)
Total	-	-

Total Revenues

Millions of yen

	2016	2015
Information & Telecommunication Systems	1,397,385	1,501,646
Social Infrastructure & Industrial Systems	1,587,645	1,514,416
Electronic Systems & Equipment	817,898	808,107
Construction Machinery	507,006	549,142
High Functional Materials & Components	1,067,395	1,188,240
Automotive Systems	723,156	741,527
Smart Life & Ecofriendly Systems	420,725	539,058
Others	496,435	935,687
Financial Services	179,212	272,923
Subtotal	7,196,857	8,050,746
Corporate items and Eliminations	(677,546)	(820,488)
Total	6,519,311	7,230,258

Segment Profit (Loss)

Millions of yen

	2016	2015
Information & Telecommunication Systems	51,579	70,618
Social Infrastructure & Industrial Systems	36,584	33,879
Electronic Systems & Equipment	48,917	47,159
Construction Machinery	9,216	5,493
High Functional Materials & Components	91,640	119,563
Automotive Systems	35,580	39,504
Smart Life & Ecofriendly Systems	19,280	34,802
Others	14,672	38,105
Financial Services	22,841	35,762
Subtotal	330,309	424,885
Corporate items and Eliminations	31,746	(13,933)
Total	362,055	410,952
Interest income	9,623	9,008
Interest charges	(14,715)	(19,386)
Income from continuing operations, before income taxes	356,963	400,574

Segment profit (loss) is measured by EBIT.

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

(5) Business Acquisitions and Divestitures

On January 13, 2017, the Company and Hitachi Urban Investment, Ltd., a subsidiary of the Company, executed an agreement with HK Holdings Co., Ltd., all of whose issued shares are owned by investment funds controlled by Kohlberg Kravis Roberts & Co.L.P., regarding a takeover offer made by HK Holdings Co., Ltd. The objective of the takeover offer is to acquire common stock of Hitachi Koki Co., Ltd. (Hitachi Koki), a subsidiary of the Company in the Electronic Systems & Equipment segment, and stock acquisition rights issued based on a resolution at the Hitachi Koki's board of directors' meeting held on July 28, 2015. The agreement provides that the Company and Hitachi Urban Investment, Ltd. will subscribe all shares of common stock of Hitachi Koki owned by the Company and Hitachi Urban Investment, Ltd. to the takeover offer. The takeover offer period is scheduled from January 30, 2017 to March 22, 2017. After the takeover offer is completed successfully, Hitachi Koki will be deconsolidated. The effects of this transaction on the Company's consolidated financial statements are currently being evaluated.

On October 3, 2016, Hitachi Construction Machinery Co., Ltd. (HCM), a subsidiary of the Company in the Construction Machinery segment, signed a bid implementation agreement with Bradken Limited (Bradken) to implement a takeover offer for all issued shares of common stock of Bradken, which conducts metal casting and operates manufacture and distribution services for metal casting products, in order to complement and bolster the parts service business in the mining business of HCM. The takeover offer period is scheduled from November 1, 2016 to February 24, 2017, and the total consideration will be AUD 689 million (¥58,124 million). Bradken will become a subsidiary of HCM if the takeover offer is successfully completed.

On May 13, 2016, the Company has concluded an agreement regarding the transfer of common stocks of Hitachi Capital Corporation (Hitachi Capital), a subsidiary of the Company in the Financial Services segment, in order to strengthen finance functions and accelerate the concentration of management resources in the Social Innovation Business. In accordance with this agreement, a certain number of shares of Hitachi Capital common stocks owned by the Company were transferred to Mitsubishi UFJ Financial Group, Inc. and Mitsubishi UFJ Lease & Financial Co., Ltd on October 3, 2016. As a result of this transfer of shares, the Company's ownership ratio of voting rights in Hitachi Capital decreased from 60.6% to 33.4%, and Hitachi Capital ceased to be the Company's consolidated subsidiary and became its associate accounted for using the equity-method. The resulting loss on the sale of the shares of Hitachi Capital was not material. Changes in non-controlling interests in the condensed quarterly consolidated statement of changes in equity include derecognition of non-controlling interest in Hitachi Capital as a result of its deconsolidation.

The following table shows the assets, liabilities and equity of Hitachi Capital as of March 31, 2016.

Millions of yen

	As of March 31, 2016
Assets	
Current assets	
Cash and cash equivalents (a)	157,091
Trade receivables (a)	710,713
Lease receivables (a)	311,992
Inventories	3,701
Other current assets	73,316
Total current assets	1,256,813
Non-current assets	
Investments accounted for using the equity method	20,457
Investments in securities and other financial assets	675,964
Lease receivables	729,876
Property, plant and equipment	307,582
Intangible assets	62,656
Other non-current assets	38,139
Total non-current assets	1,834,674
Total assets	3,091,487
Liabilities	
Current liabilities	
Short-term debt (a)	497,695
Current portion of long-term debt (a)	485,611
Other financial liabilities	40,121
Trade payables (a)	228,989
Accrued expenses	15,581
Advances received	23,269
Other current liabilities	31,974
Total current liabilities	1,323,240
Non-current liabilities	
Long-term debt (a)	1,356,212
Other financial liabilities	28,717
Retirement and severance benefits	9,540
Other non-current liabilities	26,698
Total non-current liabilities	1,421,167
Total liabilities	2,744,407
Equity	
Hitachi, Ltd. stockholders' equity	201,349
Non-controlling interests	145,731
Total equity	347,080
Total liabilities and equity	3,091,487

(a) In the above table, the amounts corresponding to internal transactions are as follows:

Millions of yen

	As of March 31, 2016
Cash and cash equivalents (deposits to the Company)	118,701
Trade receivables	152,078
Lease receivables	59,569
Short-term debt	37,368
Current portion of long-term debt	17,367
Trade payables	30,036
Long-term debt	24,871

On March 30, 2016, the Company has concluded an agreement regarding the transfer of common stocks of Hitachi Transport System, Ltd. (HTS), a subsidiary of the Company included in the Others in segment information, in order to expand the scope of the Social Innovation Business by enhancing logistics platforms. In accordance with this agreement, a certain number of shares of HTS common stocks owned by the Company were transferred to SG Holdings Co., Ltd. on May 19, 2016. As a result of this transfer of shares, the Company's ownership ratio of voting rights in HTS decreased from 59.02% to 30.01%, and HTS ceased to be the Company's consolidated subsidiary and became its associate accounted for using the equity-method. A gain on the sale of shares of HTS in the amount of ¥44,958 million was recognized in Other income in the condensed quarterly consolidated statement of profit or loss. Changes in non-controlling interests in the condensed quarterly consolidated statement of changes in equity include derecognition of non-controlling interest in HTS as a result of its deconsolidation.

Hitachi Rail Italy S.p.A. (HRI) and Hitachi Rail Italy Investments S.r.L. (HRII), subsidiaries of the Company in the Social Infrastructure & Industrial Systems segment, signed binding agreements with Finmeccanica S.p.A. (FNM) to acquire;

1) the current business of AnsaldoBreda S.p.A. (Breda), a manufacturer of rail vehicles for mass transit, with the exclusion of some revamping activities and certain residual contracts,
2) the entire interest owned by FNM in Ansaldo STS S.p.A. (STS) , a company engaged in the design and implementation and management of systems for signaling and supervision of railways, equal to approximately 40% of the share capital,

in order to strengthen our manufacturing footprint and expand our customer base in the global railway business. On November 2, 2015 (the acquisition date), HRI and HRII closed the deal and acquired the business of Breda and the entire interest owned by FNM in STS in accordance with the binding agreements. The Company obtained control of STS, due to factors such as the acquisition of the share capital and the fact that the Company's recommended directors represent the majority of the board of directors elected at the shareholders' meeting held on the acquisition date, and therefore STS became a consolidated subsidiary of the Company effective on the same date.

The total consideration, paid in cash, for the business of Breda was EUR 30 million (¥4,041 million) and the total consideration, paid in cash, for the shares of STS was EUR 761 million (¥101,184 million). HRII acquired a part of the rest of STS shares, as a result, the ownership ratio of voting rights reached to 50.77% as of March 31, 2016.

The following table summarizes the fair value of the consideration paid for STS and the business of Breda, and the amounts of the assets acquired and liabilities assumed recognized as of the acquisition date.

	Millions of yen	
	STS	the business of Breda
Cash and cash equivalents	30,115	2,706
Trade receivables	131,343	61,315
Other current assets	37,424	33,496
Non-current assets (excluding intangible assets)	34,494	17,444
Intangible assets		
Goodwill (not deductible for tax purposes)	55,820	-
Other intangible assets	23,238	241
Total	312,434	115,202
Current liabilities	124,044	107,401
Non-current liabilities	20,606	3,760
Total	144,650	111,161
Cash paid for acquisition	101,184	4,041
Non-controlling interests	66,600	-
Total	167,784	4,041

The goodwill mainly comprises excess earning power and expected synergies arising from the acquisition.
Non-controlling interests are measured by the appropriate share in the fair value of identifiable net assets of the STS.

HRI repaid EUR 111 million (¥14,754 million) of loans from FNM which were included in the business of Breda, in addition to the acquisition.

The results of operations of STS and the business of Breda for the period from the acquisition date to December 31, 2015 were not material.

On a pro forma basis, revenues and net income attributable to Hitachi, Ltd. stockholders using an assumed acquisition date for STS and the business of Breda of April 1, 2015 would not differ materially from the amounts reported in the consolidated quarterly consolidated financial statements for the nine months ended December 31, 2015.

On February 7, 2015, Hitachi Data Systems Corporation (HDS), a subsidiary of the Company in the Information & Telecommunications Systems segment, signed a definitive agreement with the shareholders of Pentaho Corporation (Pentaho) to acquire all the shares of Pentaho, for enhancing big-data technologies and solutions. Pentaho integrates data, develops technologies for big-data analysis and visualization, and delivers solutions and supports. On May 29, 2015, HDS acquired all the shares of Pentaho in accordance with the definitive agreement, and HDS obtained control of Pentaho, and it became a wholly owned subsidiary.

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

	Millions of yen
Cash and cash equivalents	988
Trade receivables	807
Other current assets	182
Non-current assets (excluding intangible assets)	82
Intangible assets	
Goodwill (not deductible for tax purposes)	55,901
Other intangible assets	10,275
Total	68,235
Current liabilities	3,449
Non-current liabilities	9
Total	3,458
Cash paid for acquisition	64,777

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

The results of operations of Pentaho for the period from the acquisition date to December 31, 2015 were not material.

On a pro forma basis, revenues and net income attributable to Hitachi, Ltd. stockholders using an assumed acquisition date for Pentaho of April 1, 2015 would not differ materially from the amounts reported in the condensed quarterly consolidated financial statements for the nine months ended December 31, 2015.

(6) Fair Value of Financial Instruments

(a) Fair Value Measurements

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

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

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

Trade receivables

The fair value of trade receivables is measured by the present value of future cash flows discounted by risk-free rates after considering early settlements, cancellation and the balance of doubtful accounts, for each type of receivable, class of receivable based on collection records and term of collection.

Lease receivables

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

Investments in securities and Other financial assets

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.

Fair values of subordinated interests and beneficiary interests in trust that are retained in transactions of transferring financial assets are estimated by discounting future cash flows based on economic assumptions including expected rate of credit loss and discount rate since significant inputs for estimation of the fair value are unobservable.

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.

Contract guarantee deposits are financial liabilities received from some customers and other parties as a credit enhancement to trade and lease receivables, and normally returned after the underlying assets are fully collected. The fair value of contract guarantee deposits is measured by discounting the sum of the principals over the time to the contractual return dates, using the risk-free discount rate.

(b) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of December 31 and March 31, 2016 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

	December 31, 2016		March 31, 2016	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
Assets				
Trade receivables [1]	2,223,183	2,223,298	3,676,298	3,691,667
Lease receivables	72,799	73,496	1,066,243	1,104,607
Investments in securities and other financial assets [2]				
Debt securities	55,841	55,848	75,326	75,319
Long-term loans receivable	103,048	104,127	90,944	91,773
Liabilities				
Long-term debt [3]				
Lease obligations	49,699	49,863	44,600	44,696
Bonds	164,754	169,297	742,941	755,325
Long-term debt	779,681	788,923	1,945,497	1,970,687
Other financial liabilities				
Contract guarantee deposits	-	-	31,987	31,528

[1] Trade receivables are included in Trade receivables and Investments in securities and other financial assets in the condensed quarterly consolidated statement of financial position.

[2] Investments in securities and other financial assets are included in Other current assets and Investments in securities and other financial assets in the condensed quarterly consolidated statement of financial position.

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

(c) Financial Instruments Measured at Fair Value

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

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

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

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

The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of December 31 and March 31, 2016.

December 31, 2016 Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets [1]				
Equity securities	-	-	679	679
Debt securities	12,227	7,732	8,593	28,552
Derivatives	-	34,495	6,061	40,556
FVTOCI financial assets:				
Investments in securities and other financial assets [1]				
Equity securities	310,080	251	109,498	419,829
Total financial assets at fair value	322,307	42,478	124,831	489,616
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	56,492	-	56,492
Total financial liabilities at fair value	-	56,492	-	56,492

March 31, 2016 Millions of yen

Class of financial instruments	Level 1	Level 2	Level 3	Total
FVTPL financial assets:				
Investments in securities and other financial assets [1]				
Equity securities	16	-	1,781	1,797
Debt securities	12,051	7,427	38,025	57,503
Derivatives	-	37,489	6,061	43,550
FVTOCI financial assets:				
Investments in securities and other financial assets [1]				
Equity securities	280,978	220	115,536	396,734
Total financial assets at fair value	293,045	45,136	161,403	499,584
FVTPL financial liabilities:				
Other financial liabilities				
Derivatives	-	82,617	-	82,617
Total financial liabilities at fair value	-	82,617	-	82,617

[1] Investments in securities and other financial assets are included in Other current assets and Investments in securities and other financial assets in the condensed quarterly consolidated statement of financial position.

The following tables present the changes in Level 3 instruments measured on a recurring basis for the nine months ended December 31, 2016 and 2015.

December 31, 2016 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	117,317	38,025	6,061	161,403
Gain (loss) in profit or loss [1]	30	(79)	-	(49)
Loss in OCI [2]	(2,337)	-	-	(2,337)
Purchases	2,298	1,940	-	4,238
Sales and redemption	(2,903)	(11,045)	-	(13,948)
Acquisitions and divestitures	(4,492)	(19,506)	-	(23,998)
Transfer from Level 3 [3]	(168)	-	-	(168)
Other	432	(742)	-	(310)
Balance at end of period	110,177	8,593	6,061	124,831
Unrealized gain (loss) relating to financial assets still held at end of period [4]	54	(68)	-	(14)

December 31, 2015 Millions of yen

Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	112,632	57,299	-	169,931
Loss in profit or loss [1]	(357)	(486)	-	(843)
Gain in OCI [2]	5,303	-	-	5,303
Purchases	1,496	2,024	6,061	9,581
Sales and redemption	(1,662)	(14,482)	-	(16,144)
Acquisitions and divestitures	7,118	249	-	7,367
Transfer from Level 3 [3]	(4,874)	-	-	(4,874)
Other	(238)	144	-	(94)
Balance at end of period	119,418	44,748	6,061	170,227
Unrealized loss relating to financial assets still held at end of period [4]	(358)	(547)	-	(905)

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

Valuation techniques and unobservable inputs used for measuring financial instruments categorized as Level 3 on a recurring basis as of March 31, 2016 are as follows:

March 31, 2016 Millions of yen

Level 3 financial instruments	Fair value	Valuation technique	Unobservable inputs	Range
Subordinated interests and beneficiary interests in trusts that are retained relating to securitization of financial assets	25,389	DCF	Discount rate	0.05-1.25%
			Expected rate of credit loss of the entire transferred financial assets	0.15-0.36%

There are no material valuation techniques and unobservable inputs used for measuring financial instruments categorized as Level 3 on a recurring basis as of December 31, 2016.

The impact on the fair value is not material if unobservable inputs are changed to reasonably possible alternative assumptions in estimating the fair value of subordinated interests and beneficiary interests in trusts that are retained relating to securitization of financial assets.

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

(7) Dividends

Dividends paid on common stock for the nine months ended December 31, 2016 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 13, 2016	28,969	Retained earnings	6.0	March 31, 2016	May 30, 2016
The Board of Directors on October 28, 2016	28,968	Retained earnings	6.0	September 30, 2016	November 28, 2016

Dividends paid on common stock for the nine months ended December 31, 2015 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 14, 2015	28,971	Retained earnings	6.0	March 31, 2015	June 1, 2015
The Board of Directors on October 28, 2015	28,970	Retained earnings	6.0	September 30, 2015	November 26, 2015

(8) Other Income and Expenses

Millions of yen

	2016	2015
Net gain (loss) on sales and disposals of fixed assets	704	(3,948)
Impairment losses	(28,407)	(3,847)
Net gain on business reorganization and others	39,184	47,671
Special termination benefits	(11,658)	(29,887)
Expenses related to competition law and others	(1,682)	(4,653)

Impairment losses are mainly recognized on property, plant and equipment, investment properties and intangible assets. Net gain 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 nine months ended December 31, 2016 and 2015 were ¥42,113 million and ¥33,734 million, respectively. Restructuring charges (structural reform expenses) mainly include impairment losses and special termination benefits.

(9) Financial Income and Expenses

Millions of yen

	2016	2015
Dividends received	5,642	6,748
Exchange loss	(22,823)	(17,199)

Dividends received for the nine months ended December 31, 2016 and 2015 are from FVTOCI financial assets.

(10) Discontinued Operations

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

Profit or loss and cash flows from the discontinued operations for the nine months ended December 31, 2016 and 2015 are as follows:

Millions of yen

	2016	2015
Profit or loss from discontinued operations		
Revenues	1,273	7,258
Cost of sales and expenses	(2,076)	(21,681)
Loss from discontinued operations, before income taxes	(803)	(14,423)
Income taxes	(66)	-
Loss from discontinued operations	(869)	(14,423)

Millions of yen

	2016	2015
Cash flows from discontinued operations		
Cash flows from operating activities	(2,860)	(5,931)
Cash flows from investing activities	-	16
Cash flows from financing activities	2,281	10,812

(11) Earnings Per Share (EPS) Information

The computations of net income attributable to Hitachi, Ltd. stockholders used to derive basic and diluted EPS for the nine months ended December 31, 2016 and 2015 are as follows:

Nine months ended December 31

Number of shares

	2016	2015
Weighted average number of shares on which basic EPS is calculated	4,828,161,543	4,828,413,052
Effect of dilutive securities	1,464,801	-
Number of shares on which diluted EPS is calculated	4,829,626,344	4,828,413,052

Millions of yen

	2016	2015
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	192,133	187,389
Effect of dilutive securities		
Other	(1)	(147)
Diluted	192,132	187,242
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(869)	(14,423)
Effect of dilutive securities		
Other	-	-
Diluted	(869)	(14,423)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	191,264	172,966
Effect of dilutive securities		
Other	(1)	(147)
Diluted	191,263	172,819

Yen

	2016	2015
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	39.79	38.81
Diluted	39.78	38.78
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(0.18)	(2.99)
Diluted	(0.18)	(2.99)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	39.61	35.82
Diluted	39.60	35.79

The computations of net income attributable to Hitachi, Ltd. stockholders used to derive basic and diluted EPS for the three months ended December 31, 2016 and 2015 are as follows:

Three months ended December 31

Number of shares

	2016	2015
Weighted average number of shares on which basic EPS is calculated	4,828,115,494	4,828,316,981
Effect of dilutive securities	2,165,700	-
Number of shares on which diluted EPS is calculated	4,830,281,194	4,828,316,981

Millions of yen

	2016	2015
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	78,657	78,040
Effect of dilutive securities		
Other	(0)	(32)
Diluted	78,657	78,008
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(893)	(2,665)
Effect of dilutive securities		
Other	-	-
Diluted	(893)	(2,665)
Net income attributable to Hitachi, Ltd. stockholders		
Basic	77,764	75,375
Effect of dilutive securities		
Other	(0)	(32)
Diluted	77,764	75,343

Yen

	2016	2015
EPS from continuing operations, attributable to Hitachi, Ltd. stockholders		
Basic	16.29	16.16
Diluted	16.28	16.16
EPS from discontinued operations, attributable to Hitachi, Ltd. stockholders		
Basic	(0.18)	(0.55)
Diluted	(0.18)	(0.55)
EPS attributable to Hitachi, Ltd. stockholders		
Basic	16.11	15.61
Diluted	16.10	15.60

(12) Contingencies

(a)***Litigation***

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

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

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

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

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

In August 2012, a subsidiary in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of EUR 1,058 million (¥129,889 million), additional costs and interest allegedly incurred by the delay in the construction process of a power plant against, jointly and severally, the Company, the subsidiary in Europe, a consortium including the Company and the subsidiary in Europe, and two other companies. In addition, in October 2013 and February 2016, the subsidiary in Europe received additional complains requesting compensation for consequential losses of EUR 239 million (¥29,385 million) and EUR 105 million (¥12,839 million), respectively. In June 2016, the Company was informed that the customer added an associate in Europe as one of the defendants. Although the Company, the subsidiary and the associate in Europe and the consortium will vigorously defend themselves against this lawsuit, there can be no assurance that they will not be held liable for any amounts claimed.

In December 2013, the Company, a subsidiary in Europe and a consortium consisting of the Company and the subsidiary in Europe, jointly and severally received a request from a customer in Europe to refer a dispute to arbitration seeking compensation including consequential losses allegedly incurred by the delay in the construction process of a power plant. As of December 31, 2016, the amount of compensation claimed by the customer was changed to EUR 637 million (¥78,181 million). In December 2015, these companies, jointly and severally received a request for arbitration from the customer demanding EUR 161 million (¥19,794 million) in compensation primarily for performance related deficiencies of a power plant. In November 2016, an arbitral award regarding the arbitration requested in December 2013 was issued by an arbitral tribunal. As a result, the customer, the Company, the subsidiary in Europe and the consortium consisting of the Company and the subsidiary in Europe continue their negotiations to achieve a final settlement, including the arbitration requested in December 2015. The subsidiary in Europe has recorded provisions based on reasonable estimates.

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

The Company and its subsidiaries execute a number of business reorganizations, including mergers, acquisitions and divestitures. Contracts for these reorganizations include clauses for transaction price adjustments subsequent to the reorganizations. As the result of price adjustments, etc. there is a possibility that the Company pays for any amounts.

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

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

(b)***Other***

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

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

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

On January 31, 2017, MHI extended the amount above and requested the Company to pay ZAR 89,700 million (approximately ¥763.4 billion when ZAR 1 = ¥8.51). While the Company cannot accept the request since it lacks legal grounds under any agreement as well as the request of March 2016 does, the Company intends to continue further discussion with MHI upon the agreement executed between the Company and MHI regarding the Transfer of South African Business and past discussion between the Company and MHI.

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

(13) Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements were approved on February 8, 2017 by Toshiaki Higashihara, President and CEO of the Company.

[Cover]

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

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

Mr. Toshiaki Higashihara, President & CEO, and Mr. Mitsuaki Nishiyama, Senior Vice President and Executive Officer, confirmed that statements contained in the Quarterly Report for the third quarter of 148th fiscal year (from October 1, 2016 to December 31, 2016) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.