

[Translation]

THE **152**<sup>nd</sup>

# Notice of Annual General Meeting of Shareholders

**Date and Time** : Wednesday, June 23, 2021  
at 10:00 a.m.

**Location** : Tokyo Dome City Hall  
(East side of Tokyo Dome Hotel)  
3-61, Koraku 1-chome, Bunkyo-ku, Tokyo

**Matter to Be** : Item

**Resolved** Election of 13 Directors due to expiration  
of the term of office of all Directors

Note: This English translation incorporates, from page 46 to page 70, the materials that are provided to the shareholders for their review by posting on the Company's website pursuant to the provisions of the Articles of Incorporation of the Company and the relevant laws and regulations.

From the standpoint of preventing the spread of COVID-19, safeguarding and securing the shareholders, we request the exercise of voting rights in advance in writing or via the internet as much as possible and refraining from visiting the Annual General Meeting of Shareholders on the day.

Dear Shareholders:

June 1, 2021

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

**Hitachi, Ltd.**

Executive  
Chairman,  
President & CEO  
and Director Toshiaki Higashihara

## Notice of the 152nd Annual General Meeting of Shareholders



The 152nd Annual General Meeting of Shareholders of Hitachi, Ltd. is to be held as follows:

**Date and Time** **Wednesday, June 23, 2021 at 10:00 a.m. (Reception Start: 9:00 a.m.)**

**Location** 3-61, Koraku 1-chome, Bunkyo-ku, Tokyo  
**Tokyo Dome City Hall (East side of Tokyo Dome Hotel)**

**Agenda**  
**Reporting Matter** Report on the Business Report, Financial Statements, and Consolidated Financial Statements for the 152nd Business Term (from April 1, 2020 to March 31, 2021), and the results of the audit on the Consolidated Financial Statements by the Accounting Auditors and the Audit Committee

**Matter to Be Resolved**  
Item Election of 13 Directors due to expiration of the term of office of all Directors

- The following materials or items are provided to the shareholders for their review by posting on the Company's website pursuant to the provisions of the Articles of Incorporation of the Company and the relevant laws and regulations:

(a) "Structures and Other Things to Ensure Adequacy of Business Operations (Internal Control System) and Operation of the Internal Control System", "Fundamental Policy on the Conduct of Persons Influencing Decision on the Company's Financial and Business Policies" and "Information on the stock acquisition rights, etc." in the Business Report, (b) "Consolidated Statements of Changes in Equity" and "Notes to Consolidated Financial Statements" of the Consolidated Financial Statements, (c) "Unconsolidated Statement of Changes in Net Assets" and "Notes to Unconsolidated Financial Statements" of the Unconsolidated Financial Statements, and (d) Transcript of Accounting Auditors' Audit Report on Consolidated Financial Statements.

The Audit Committee and the accounting auditor have audited the materials to be audited including the above.

In addition, the Company website also posts Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows as supplementary information.

- This notice is also posted on the Company's website.
- In the event the Business Report, Financial Statements, Consolidated Financial Statements or Reference Documentation for the Annual General Meeting of Shareholders need to be modified in the period from the dispatch of this notice to the preceding day of the Annual General Meeting, the Company will post such modification on its website as below.

<https://www.hitachi.com/smeet-e/index.html>

item

## Election of 13 Directors due to expiration of the term of office of all Directors

Due to expiration of the term of office of all Directors at the close of this Meeting, it is proposed that 13 Directors be elected. The Company has proposed the following 13 nominees for Directors (including 10 independent directors\*) to reflect global and diverse viewpoints to the management as well as to reinforce the global development of digital business and the functions of supervision of management.

\* The "Independent Directors" in this notice are the directors who fulfill the qualification requirements to be outside directors as provided by the Companies Act of Japan and also meet the independence criteria defined by the Company and those as provided by Japanese stock exchanges where the Company is listed, unless otherwise stated.

### The list of nominees

No	Name		Current Position and Responsibilities at the Company
1	<b>Katsumi Ihara</b>	RE OD ID	Independent Director ■ Audit Committee ■ Compensation Committee
2	<b>Ravi Venkatesan</b>	RE OD ID	Independent Director
3	<b>Cynthia Carroll</b>	RE OD ID	Independent Director ■ Nominating Committee
4	<b>Joe Harlan</b>	RE OD ID	Independent Director
5	<b>George Buckley</b>	RE OD ID	Independent Director
6	<b>Louise Pentland</b>	RE OD ID	Independent Director
7	<b>Harufumi Mochizuki</b>	RE OD ID	Independent Director Chairman of the Board ■ Nominating Committee (Chair) ■ Audit Committee ■ Compensation Committee (Chair)
8	<b>Takatoshi Yamamoto</b>	RE OD ID	Independent Director ■ Audit Committee ■ Compensation Committee
9	<b>Hiroaki Yoshihara</b>	RE OD ID	Independent Director ■ Nominating Committee ■ Audit Committee (Chair)
10	<b>Helmuth Ludwig</b>	RE OD ID	Independent Director
11	<b>Keiji Kojima</b>	NEW	Representative Executive Officer, Executive Vice President
12	<b>Hideaki Seki</b>	RE	Director ■ Audit Committee
13	<b>Toshiaki Higashihara</b>	RE	Representative Executive Officer, Executive Chairman, President & CEO and Director ■ Compensation Committee

RE : Re-selected nominee

OD : Outside Director nominee as provided by the Companies Act of Japan

ID : Independent Director as provided by Japanese stock exchanges where the Company is listed

No

1

**Katsumi Ihara**

(Date of Birth: Sept. 24, 1950)

RE

OD

ID



Attendance for fiscal 2020

**Board of Directors meetings**  
9 out of 9 days (100%)**Audit Committee**  
17 out of 17 days (100%)**Compensation Committee**  
4 out of 4 days (100%)

Position and Responsibilities at the Company	Term of office as Independent Director	Share Ownership
Independent Director Member of Audit Committee Member of Compensation Committee	Three years	900

**Brief Biography**

5/1981	Joined Sony Corporation
6/2005	Executive Deputy President, Representative Corporate Executive Officer, Member of the Board, Sony Corporation
4/2009	Executive Deputy President, Corporate Executive, Sony Corporation
6/2009	Executive Vice President, Representative Director, Sony Financial Holdings Inc.
6/2010	President, Representative Director, Sony Financial Holdings Inc.
6/2011	President, Representative Director, Sony Life Insurance Co., Ltd.
4/2015	Chairman, Director, Sony Life Insurance Co., Ltd. (Retired in June 2017)
6/2016	Chairman, Director, Sony Financial Holdings Inc. (Retired in June 2017)
6/2018	Director, Hitachi, Ltd. (currently in office)

**Other Principal Positions Held**

Outside Director, Benesse Holdings, Inc.

**Reason for selection as Independent Director nominee and his expected roles**

Mr. Ihara has rich experience and insight in the area of global corporate management gained through the involvement in management at major companies conducting diversified businesses globally. He was selected as an independent director nominee, since he was expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company and supervising the execution of duties by Executive Officers and others from an independent perspective.

No

2

**Ravi Venkatesan**

(Date of Birth: Jan. 12, 1963)

RE

OD

ID



Attendance for fiscal 2020

**Board of Directors meetings**  
6 out of 6 days (100%)

Position and Responsibilities at the Company	Term of office as Independent Director	Share Ownership
Independent Director	11 months	200

**Brief Biography**

7/1999	Chairman of the Board of Directors, Cummins India Ltd. (India) (Retired in March 2004)
1/2004	Chairman, Microsoft India Pvt. Ltd. (India) (Retired in September 2011)
4/2011	Independent Director, Infosys Ltd. (India) (Retired in May 2018, served as Co-Chairman from April 2017 to August 2017)
4/2013	Venture Partner, Unitus Ventures LLC. (India) (currently in office)
8/2015	Chairman (Non-Executive), Bank of Baroda (India) (Retired in August 2018)
9/2018	Special Representative for Young People & Innovation, UNICEF (currently in office)
7/2020	Director, Hitachi, Ltd. (currently in office)

**Other Principal Positions Held**Venture Partner, Unitus Ventures LLC. (India)  
Special Representative for Young People & Innovation, UNICEF**Reason for selection as Independent Director nominee and his expected roles**

Mr. Venkatesan has rich experience and insight in the area of global corporate management, digital business and emerging markets. He was selected as an independent director nominee, since he was expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective .

No

3

**Cynthia Carroll**

(Date of Birth: Nov. 13, 1956)

RE

OD

ID



Attendance for fiscal 2020

Board of Directors meetings  
9 out of 9 days (100%)Nominating Committee  
8 out of 8 days (100%)

Position and Responsibilities at the Company	Term of office as Independent Director	Share Ownership
Independent Director Member of Nominating Committee	Eight years	1,400

**Brief Biography**

- 10/1991 General Manager, Foil Products, Alcan Inc. (Canada)
- 1/1996 Managing Director, Aughinish Alumina Ltd., Alcan Inc.
- 10/1998 President, Bauxite, Alumina and Specialty Chemicals, Alcan Inc.
- 1/2002 President & CEO, Primary Metal Group, Alcan Inc.
- 3/2007 CEO, Anglo American plc. (UK) (Retired in April 2013)
- 6/2013 Director, Hitachi, Ltd. (currently in office)

**Other Principal Positions Held**

- Director, Baker Hughes Company (USA)\*
- Director, Pembina Pipeline Corporation (Canada)\*
- Director, Glencore plc (Switzerland)\*

**Reason for selection as Independent Director nominee and her expected roles**

Ms. Carroll has rich experience and insight as the top executive of major global companies in the mining industry. She was selected as an independent director nominee, since she was expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.

No

4

**Joe Harlan**

(Date of Birth: May 5, 1959)

RE

OD

ID



Attendance for fiscal 2020

Board of Directors meetings  
9 out of 9 days (100%)

Position and Responsibilities at the Company	Term of office as Independent Director	Share Ownership
Independent Director	Three years	900

**Brief Biography**

- 9/1999 Vice President and Chief Financial Officer, Lighting Business, General Electric Company (USA)
- 9/2001 Vice President, Corporate Financial Planning and Analysis, 3M Company (USA)
- 11/2002 President and Chief Executive Officer, Sumitomo 3M Ltd.
- 10/2004 Executive Vice President, Electro and Communications Business, 3M Company (USA)
- 10/2009 Executive Vice President, Consumer and Office Business, 3M Company (USA)
- 9/2011 Executive Vice President, Performance Materials, The Dow Chemical Company (USA)
- 9/2012 Executive Vice President, Chemicals, Energy and Performance Materials, The Dow Chemical Company (USA)
- 10/2014 Chief Commercial Officer and Vice Chairman, Market Business, The Dow Chemical Company (USA)
- 10/2015 Vice Chairman and Chief Commercial Officer, The Dow Chemical Company (USA) (Retired in August 2017)
- 6/2018 Director, Hitachi, Ltd. (currently in office)

**Reason for selection as Independent Director nominee and his expected roles**

Mr. Harlan has rich experience and insight in the area of global corporate management gained through the involvement in management at major companies conducting diversified businesses globally. He was selected as an independent director nominee, since he was expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.

No

5

**George Buckley**

(Date of Birth: Feb. 23, 1947)

RE

OD

ID



Attendance for fiscal 2020

**Board of Directors meetings  
9 out of 9 days (100%)**

Position and Responsibilities at the Company	Term of office as Independent Director	Share Ownership
Independent Director	Nine years	6,600

**Brief Biography**

2/1993	Chief Technology Officer, Motors, Drives and Appliances, Emerson Electric Company (USA)
9/1994	President, US Electrical Motors, Emerson Electric Company (USA)
7/1997	President, Mercury Marine Division and Corporate Vice President, Brunswick Corporation (USA)
4/2000	President and Chief Operating Officer, Brunswick Corporation (USA)
6/2000	Chairman and Chief Executive Officer, Brunswick Corporation (USA)
12/2005	Chairman of the Board, President and Chief Executive Officer, 3M Company (USA)
2/2012	Executive Chairman of the Board, 3M Company (USA) (Retired in May 2012)
6/2012	Chairman, Arle Capital Partners Limited (UK) (Retired in December 2015)
	Director, Hitachi, Ltd. (currently in office)

**Other Principal Positions Held**

Chairman, Smiths Group plc (UK)\*  
Chairman of the Board, Stanley Black & Decker, Inc. (USA)\*

**Reason for selection as Independent Director nominee and his expected roles**

Mr. Buckley has rich experience and insight as the top executive of major global companies conducting diversified businesses globally. He was selected as an independent director nominee, since he was expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.

No

6

**Louise Pentland**

(Date of Birth: Apr. 11, 1972)

RE

OD

ID



Attendance for fiscal 2020

**Board of Directors meetings  
9 out of 9 days (100%)**

Position and Responsibilities at the Company	Term of office as Independent Director	Share Ownership
Independent Director	Six years	1,000

**Brief Biography**

8/1997	Admitted as a Solicitor (UK)
7/2001	Senior Legal Counsel, Nokia Networks, Nokia Corporation (Finland)
9/2007	Vice President, Acting Chief Legal Officer and Head of IP Legal, Nokia Corporation (Finland)
7/2008	Senior Vice President and Chief Legal Officer, Nokia Corporation (Finland)
6/2009	Admitted to New York State Bar Association
2/2011	Executive Vice President and Chief Legal Officer, Nokia Corporation (Finland) (Retired in May, 2014)
4/2015	General Counsel, PayPal, eBay Inc. (USA)
6/2015	Director, Hitachi, Ltd. (currently in office)
7/2015	Senior Vice President and Chief Legal Officer, PayPal Holdings, Inc. (USA)
9/2016	Executive Vice President, Chief Business Affairs and Legal Officer, PayPal Holdings, Inc. (USA) (currently in office)

**Other Principal Positions Held**

Executive Vice President, Chief Business Affairs and Legal Officer, PayPal Holdings, Inc. (USA)

**Reason for selection as Independent Director nominee and her expected roles**

Ms. Pentland has deep insight into corporate legal matters and corporate governance gained through her rich experience as the chief legal officer of major global companies. She was selected as an independent director nominee, since she was expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint.

No

7

**Harufumi Mochizuki**

(Date of Birth: Jul. 26, 1949)

RE

OD

ID



Attendance for fiscal 2020

**Board of Directors meetings**  
9 out of 9 days (100%)**Nominating Committee**  
8 out of 8 days (100%)**Audit Committee**  
17 out of 17 days (100%)**Compensation Committee**  
4 out of 4 days (100%)

Position and Responsibilities at the Company	Term of office as Independent Director	Share Ownership
Independent Director Chairman of the Board Nominating Committee (Chair) Member of Audit Committee Compensation Committee (Chair)	Nine years	4,700

**Brief Biography**

4/1973 Joined Ministry of International Trade and Industry of Japan  
 7/2002 Director-General for Commerce and Distribution Policy, Minister's Secretariat, Ministry of Economy, Trade and Industry of Japan ("METI")  
 7/2003 Director-General, Small and Medium Enterprise Agency, METI  
 7/2006 Director-General, Agency for Natural Resources and Energy, METI  
 7/2008 Vice-Minister of Economy, Trade and Industry of Japan  
 8/2010 Special Advisor to the Cabinet of Japan (Retired in September 2011)  
 10/2010 Senior Adviser to the Board, Nippon Life Insurance Company (Retired in April 2013)  
 6/2012 Director, Hitachi, Ltd. (currently in office)  
 6/2013 President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. (currently in office)

**Other Principal Positions Held**

President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd.

**Reason for selection as Independent Director nominee and his expected roles**

Mr. Mochizuki has rich experience and insight in the area of public administration, etc. gained through leading positions at government agencies. He was selected as an independent director nominee, since he was expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company and supervising the execution of duties by Executive Officers and others from an independent perspective.

No

8

**Takatoshi Yamamoto**

(Date of Birth: Oct. 20, 1952)

RE

OD

ID



Attendance for fiscal 2020

**Board of Directors meetings**  
9 out of 9 days (100%)**Audit Committee**  
17 out of 17 days (100%)**Compensation Committee**  
4 out of 4 days (100%)

Position and Responsibilities at the Company	Term of office as Independent Director	Share Ownership
Independent Director Member of Audit Committee Member of Compensation Committee	Five years	11,200

**Brief Biography**

4/1975 Joined Nomura Research Institute, Ltd.  
 4/1989 Joined Morgan Stanley Japan Limited  
 12/1995 Managing Director, Morgan Stanley Japan Limited  
 6/1999 Managing Director and Vice Chairman, Tokyo Branch, Morgan Stanley Japan Limited  
 7/2005 Managing Director and Vice Chairman, UBS Securities Japan Co., Ltd.  
 6/2009 Managing Director, CASIO COMPUTER CO., LTD.  
 6/2011 Advisor, CASIO COMPUTER CO., LTD. (Retired in June 2012)  
 6/2016 Director, Hitachi, Ltd. (currently in office)

**Other Principal Positions Held**

Outside Director, Murata Manufacturing Co., Ltd.

**Reason for selection as Independent Director nominee and his expected roles**

Mr. Yamamoto has broad range of insight in business and management gained through his experience in the area of corporate analysis and global corporate management. He was selected as an independent director nominee, since he was expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company and supervising the execution of duties by Executive Officers and others from an independent perspective.



No

9

**Hiroaki Yoshihara**

(Date of Birth: Feb. 9, 1957)

RE

OD

ID



Attendance for fiscal 2020

Board of Directors meetings  
9 out of 9 days (100%)Nominating Committee  
8 out of 8 days (100%)Audit Committee  
17 out of 17 days (100%)

Position and Responsibilities at the Company	Term of office as Independent Director	Share Ownership
Independent Director Member of Nominating Committee Audit Committee (Chair)	Seven years	2,500

**Brief Biography**

- 11/1978 Joined Peat Marwick Mitchell & Co.
- 7/1996 National Managing Partner, the Pacific Rim Practice, KPMG LLP
- 10/1997 The Board Member, KPMG LLP
- 10/2003 Vice Chairman and Global Managing Partner, KPMG International (Retired in April 2007)
- 6/2014 Director, Hitachi, Ltd. (currently in office)

**Other Principal Positions Held**

Outside Director, HOYA CORPORATION

**Reason for selection as Independent Director nominee and his expected roles**

Mr. Yoshihara has rich experience and insight in the area of global corporate management and accounting. He was selected as an independent director nominee, since he was expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.

No

10

**Helmuth Ludwig**

(Date of Birth: Sept. 19, 1962)

RE

OD

ID



Attendance for fiscal 2020

Board of Directors meetings  
6 out of 6 days (100%)

Position and Responsibilities at the Company	Term of office as Independent Director	Share Ownership
Independent Director	11 months	1,900

**Brief Biography**

- 6/2001 President, Software and System House Division, Siemens AG (Germany)
- 8/2002 President, Systems Engineering Division, Automation and Drives Group, Siemens AG (Germany)
- 8/2007 President, Siemens PLM Software, Inc. (USA)
- 10/2010 Global Head of Communications, Industry Automation, Siemens Corp. (USA)
- 10/2011 President and CEO, Industry Sector, North America, Siemens Industry, Inc. (USA)
- 10/2014 Executive Vice President and Chief Digital Officer, Digital Factory Division, Product Lifecycle Management, Siemens Corp. (USA)
- 10/2016 Chief Information Officer, Siemens AG (Germany) (Retired in December, 2019)
- 1/2020 Professor of Practice in Strategy and Entrepreneurship, Cox School of Business, Southern Methodist University (USA) (currently in office)
- 7/2020 Director, Hitachi, Ltd. (currently in office)

**Other Principal Positions Held**

Chairperson of the Board, Circor International, Inc. (USA)\*  
Professor of Practice in Strategy and Entrepreneurship, Cox School of Business, Southern Methodist University (USA)

**Reason for selection as Independent Director nominee and his expected roles**

Mr. Ludwig has rich experience and insight in the area of global corporate management and digital business. He was selected as an independent director nominee, since he was expected to leverage such experience and insight to reinforce the supervisory and decision making functional aspects of the Company's Board of Directors by offering opinions and proposals regarding the general management of the Company from a global viewpoint and supervising the execution of duties by Executive Officers and others from an independent perspective.



No

11

**Keiji Kojima**

(Date of Birth: Oct. 9, 1956)

NEW



Position and Responsibilities at the Company	Share Ownership
Representative Executive Officer, Executive Vice President	52,400

**Brief Biography**

- 4/1982 Joined Hitachi, Ltd.
- 4/2011 General Manager, Hitachi Research Laboratory
- 4/2012 Vice President and Executive Officer
- 4/2016 Senior Vice President and Executive Officer
- 4/2018 Representative Executive Officer, Executive Vice President (currently in office)

**Reason for selection as Director nominee and his expected roles**

Mr. Kojima has rich experience and a proven performance record, having been engaged in R&D and business management in the digital business both at the Company and at Group companies as well as in global promotion of Lumada business, and currently he serves as Executive Vice President managing the Smart Life sector. After the conclusion of this Annual General Meeting of Shareholders, Mr. Kojima will be appointed as President & COO. Mr. Kojima was selected as a director nominee, since he was expected to continue to promote information sharing and draw on his rich experience and performance record to reinforce the decision-making function of the Board of Directors as a member of the Board.

No

12

**Hideaki Seki**

(Date of Birth: Mar. 10, 1957)

RE



Attendance for fiscal 2020  
Board of Directors meetings  
6 out of 6 days (100%)  
Audit Committee  
10 out of 10 days (100%)

Position and Responsibilities at the Company	Share Ownership
Director Member of Audit Committee	11,400

**Brief Biography**

- 4/1979 Joined Hitachi, Ltd.
- 4/2011 Board Director, Hitachi Automotive Systems, Ltd.
- 4/2013 Vice President, Board Director, Hitachi Automotive Systems, Ltd.
- 4/2014 Executive Vice President, Board Director, Hitachi Automotive Systems, Ltd.
- 4/2015 President & COO, Representative Director, Hitachi Automotive Systems, Ltd.
- 4/2016 President & CEO, Representative Director, Hitachi Automotive Systems, Ltd. (Retired in March, 2018)
- 4/2018 Senior Vice President and Executive Officer, Hitachi, Ltd.  
President, Representative Director, Hitachi Building Systems Co., Ltd. (Retired in March, 2020)
- 4/2020 Associate, Hitachi, Ltd.
- 7/2020 Director, Hitachi, Ltd. (currently in office)

**Reason for selection as Director nominee and his expected roles**

Mr. Seki has rich experience and a proven performance record, having been engaged in business management in the fields of Elevator & Escalator Business and Automotive Systems Business, both at the Company and at Group companies, as well as in the promotion of the global development of the businesses. Mr. Seki was selected as a director nominee, since he was expected to reinforce the supervisory functions of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others based on his rich experience and a proven performance record.



Attendance for fiscal 2020

**Board of Directors meetings**  
9 out of 9 days (100%)**Compensation Committee**  
4 out of 4 days (100%)

Position and Responsibilities at the Company	Share Ownership
Representative Executive Officer, Executive Chairman, President & CEO and Director Member of Compensation Committee	135,900

**Brief Biography**

4/1977	Joined Hitachi, Ltd.
4/2007	Vice President and Executive Officer
4/2008	President, Hitachi Power Europe GmbH
4/2010	Representative Executive Officer, President and Chief Executive Officer, Hitachi Plant Technologies, Ltd.
6/2010	President and Representative Director, Hitachi Plant Technologies, Ltd.
4/2011	Vice President and Executive Officer, Hitachi, Ltd.
4/2013	Senior Vice President and Executive Officer, Hitachi, Ltd.
4/2014	Representative Executive Officer and President & COO, Hitachi, Ltd.
6/2014	Representative Executive Officer, President & COO and Director, Hitachi, Ltd.
4/2016	Representative Executive Officer, President & CEO and Director, Hitachi, Ltd.
5/2021	Representative Executive Officer, Executive Chairman, President & CEO and Director, Hitachi, Ltd. (currently in office)

**Reason for selection as Director nominee and his expected roles**

Mr. Higashihara has rich experience and a proven performance record, having been engaged in business management in a broad range of fields, including social infrastructure business and power systems business, both at the Company and at Group companies, as well as in the promotion of the Group's global business development. He has been engaged in the management of the Company as President since April 2014 and he will continue to serve as Chairman & CEO after the General Meeting of Shareholders. Mr. Higashihara was selected as a director nominee, since he was expected to continue to promote information sharing and draw on his rich experience and performance record to reinforce the decision-making function of the Board of Directors as a member of the Board.

**Notes:**

- Messrs. Katsumi Ihara, Ravi Venkatesan, Joe Harlan, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto, Hiroaki Yoshihara and Helmuth Ludwig and Meses. Cynthia Carroll and Louise Pentland are nominees who fulfill the qualification requirements to be outside director nominees as provided for in Article 2, Paragraph 3, Item 7 of the Enforcement Regulations of the Companies Act. The Company has reported all of them as independent directors to the Japanese stock exchanges where the Company is listed.
- The Company maintains a limited liability agreement (hereinafter referred to as "Agreement") with Messrs. Katsumi Ihara, Ravi Venkatesan, Joe Harlan, George Buckley, Harufumi Mochizuki, Takatoshi Yamamoto, Hiroaki Yoshihara, Helmuth Ludwig and Hideaki Seki and Meses. Cynthia Carroll and Louise Pentland. The general intent of the Agreement is to limit the liability of Directors provided for in Article 423, Paragraph 1 of the Companies Act to the aggregate amount of each item stipulated under Article 425, Paragraph 1 of the Companies Act. The Agreement will be renewed should the aforementioned individuals be re-elected at this Meeting.
- The Company currently has a Directors' and Officers' Liability Insurance Agreement, which is stipulated in Article 430-3 paragraph 1 of Companies Act, nominating each of its director candidates as an insured person with an insurance company. The content of the Insurance Agreement is stated in page 31. Upon the approval of director election, each director will continue to be an insured person of the insurance agreement. The Company plans to renew the agreement with the same terms and conditions during the tenure of each director.
- ITOCHU Corporation, where Mr. Harufumi Mochizuki serves as an outside director (retirement scheduled in June this year), was issued cease and desist orders and a surcharge payment order related to breaches of Antimonopoly Act by the Japan Fair Trade Commission in 2018. Mr. Mochizuki has been constantly expressing his opinions for the importance of compliance at the company's Board of Directors, etc. After the aforementioned facts were found, Mr. Mochizuki has proactively expressed suggestions for taking preventive measures and enhancing the compliance management system.
- SUBARU CORPORATION, where Mr. Takatoshi Yamamoto had served as an outside corporate auditor from June 2012 to June 2016, identified certain incidents of improper conduct regarding final vehicle inspections. The Ministry of Land, Infrastructure, Transport and Tourism made recommendation with respect to preventive measures and issued administrative fines in accordance with the Road Transport Vehicle Act. In March 2019, the Tokyo District Court imposed the fines and the company paid them. Mr. Yamamoto had constantly expressed his opinions for the importance of compliance at the company's Board of Directors, etc. even though he was not aware of the incidents during his terms of office.
- Mr. Hiroaki Yoshihara served as Non-Executive Director (a similar position to outside director under the Companies Act) at the Company's overseas subsidiaries from September 2008 to March 2012.
- In the event this agenda is approved, the members and the chair of the committees are expected to be as follows:  
 Nominating Committee :Harufumi Mochizuki (Chair), Cynthia Carroll, Hiroaki Yoshihara, Toshiaki Higashihara  
 Audit Committee :Hiroaki Yoshihara (Chair), Katsumi Ihara, Harufumi Mochizuki, Takatoshi Yamamoto, Helmuth Ludwig, Hideaki Seki  
 Compensation Committee :Harufumi Mochizuki (Chair), Katsumi Ihara, Joe Harlan, Takatoshi Yamamoto, Keiji Kojima
- The Company has no transactions with Unitus Ventures LLC., where Mr. Venkatesan is currently serving as Venture Partner, with UNICEF, where Mr. Venkatesan is currently serving as Special Representative for Young People & Innovation, with PayPal Holdings, Inc., where Ms. Louise Pentland is currently serving as Executive Vice President, Chief Business Affairs and Legal Officer, with Tokyo Small and Medium Business Investment & Consultation Co., Ltd., where Mr. Harufumi Mochizuki is currently serving as President and Representative Director and with Southern Methodist University, where Mr. Ludwig is currently serving as Professor of Practice.

9. The Company has no transactions whose volume is more than 1% of the Company's consolidated revenues or each company's respective consolidated revenues with Sony Financial Holdings Inc. (including its operating companies such as Sony Insurance Co., Ltd.), where Mr. Katsumi Ihara had served as Chairman and Director (retired in June 2017), The Dow Chemical Company (currently Dow Inc., etc.), where Mr. Joe Harlan had served as Vice Chairman and Chief Commercial Officer (retired in August 2017) and Siemens AG, where Mr. Helmuth Ludwig had served as Chief Information Officer (retired in December 2019).
10. Mr. Hiroaki Yoshihara served as Vice Chairman of KPMG International until April 2007. However, the Accounting Auditors of the Company do not belong to the KPMG Group. In addition, there is no contractual relationship between Mr. Yoshihara and the Company in relation to accounting and other professional services or consulting services, etc.
11. The positions with \* in "Other Principal Positions Held" of each nominee are similar positions in each of the foreign corporations to outside director under the Companies Act.

#### **(Reference) Matters considered by the Nominating Committee in nominating a director candidate**

##### **Size of the Board**

Given the need for diversity of the Board views and efficiency of the Board, the number of directors shall be no more than 20.

The Nominating Committee shall consider the optimal size of the Board following the policy described above in deciding the matters relating to a proposal concerning election and removal of directors to be submitted to the General Meeting of Shareholders.

##### **Composition of the Board**

In nominating a director candidate, the Nominating Committee shall consider:

1. diversity in the experience and expertise, etc. possessed by the director candidates, the composition ratio between independent directors and other directors (directors concurrently serving as executive officers and non-executive directors from within the Hitachi Group), and other such matters in order to ensure the effectiveness of the management supervision and decision-making functions of the Board;
2. that to maintain the continuity of the Board, new candidates do not constitute all or almost all of the nominees; and
3. the period of time since the candidate's assumption of office as the Company's director and the candidate's age to keep bringing fresh ideas and viewpoints regularly to the Board.

In principle, a person will not be nominated as a director candidate after his or her 75th birthday. However, in special circumstances, a person over 75 years old may be nominated as a director candidate if the Nominating Committee approves. Also, in principle, the Nominating Committee will not nominate a person as an independent director candidate if a person has reached 10 years of total tenure. However, in special circumstances, a person with the total tenure of 10 years or more may be nominated as an independent director candidate, but even in this case, a person with the total tenure of 12 years or more can no longer be nominated as an independent director candidate.

##### **Qualification for Directors**

In nominating a director candidate, the Nominating Committee shall consider that:

1. such nominee has the highest personal and professional ethics, integrity and insight; and
2. such independent director nominee has distinguished records of leadership or experience at policy making levels in business, law, administration, accounting or education, etc., in addition to satisfying the criteria for independency as provided in this Guideline.

##### **Criteria for Independency of Directors**

The Nominating Committee considers director to be independent unless:

1. his or her immediate family member\* is, or has been within the last three years, a director or an executive officer of the Company or any of its subsidiaries;
2. he or she is currently an executive director, an executive officer or an employee of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies' consolidated gross revenues;
3. he or she has received during any of the last three fiscal years more than 10 million yen in direct compensation for his or her service as a specialist in law, accounting or tax, or as a consultant from the Company, other than director compensations; or
4. he or she serves as an executive officer or director of a not-for-profit organization, and the Company's discretionary charitable contributions to the organization in any of the last three fiscal years are more than 10 million yen and 2% of that organization's annual gross revenues.

\* An "immediate family member" includes a person's spouse, parents, children, siblings, grand-parents, grand-children, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grand-parents-in-law, grand-children-in-law, and brothers and sisters-in-law.

Source: Corporate Governance Guidelines of Hitachi, Ltd. (Article 2 to 5)  
<https://www.hitachi.com/IR-e/corporate/governance/guidelines.html>

## **(1) Business Overview and Results of Hitachi Group**

### **Business Results**

The Hitachi Group secured revenues of 8,729.1 billion yen and adjusted operating income of 495.1 billion yen, mainly reflecting achievements in its business portfolio reforms, in addition to the overall support by the IT sector, which achieved a record-high adjusted operating income by addressing demand for digital transformation (DX), despite the severe business environment due to the COVID-19 pandemic. Earnings before interest and taxes (EBIT) was 850.2 billion yen mainly due to the posting of gains from the sale of Hitachi Chemical and diagnostic imaging-related business, and net income attributable to Hitachi, Ltd. stockholders was 501.6 billion yen, a record high.

Regarding funds, cash flows from operating activities increased about 230 billion yen from the previous fiscal year, to about 800 billion yen due to strengthened cash management, and the cash flow margin from operating activities (ratio of cash flows from operating activities to revenues) was 9.1%, a record high.

As the Hitachi Group has established a foundation that enables itself to maintain the profitability and ability to generate cash even under the difficult business environment, the Group increased the amount of its annual dividend 10 yen to 105 yen (with an interim dividend of 50 yen and a year-end dividend of 55 yen).

### **Measures Taken and Aims**

#### **– Evolution into a Social Innovation Company that leads the DX of social infrastructure**

In March 2021, Hitachi decided to acquire GlobalLogic Inc. in the United States to facilitate the global DX of social infrastructure. Headquartered in Silicon Valley, GlobalLogic is a leading company in the digital engineering market which continues to grow rapidly. Hitachi will be able to strengthen the following two points through synergy between GlobalLogic and Hitachi's existing strengths in "OT x IT x Products."

One is Hitachi's ability of co-creation with customer. GlobalLogic owns design centers for co-creation all over the world and has achieved the fast development of applications and services through co-creation with customers in a wide range of areas including telecommunications, financial services, automobiles, healthcare and industry. Focusing on developing the core systems that are indispensable in its customers' businesses, Hitachi will leverage the resources of GlobalLogic to strengthen and expand its co-creation activities globally across a broader range of industries.

In addition, the acquisition of GlobalLogic's technical capabilities will secure the system for comprehensive digital engineering to address development at all levels from Chip to Cloud (from the on-site level to the cloud level). Hitachi will evolve into a company that can promptly and efficiently resolve the challenges faced by customers that emerge in the process of the co-creation with end-to-end solutions from Chip to Cloud.

Resolutely, Hitachi has made a crucial decision, and it will survive the competition in a rapidly changing world and become a global leader achieving digital transformation of social infrastructure by leveraging synergies with GlobalLogic.

#### **– Establishment of a business foundation for growth**

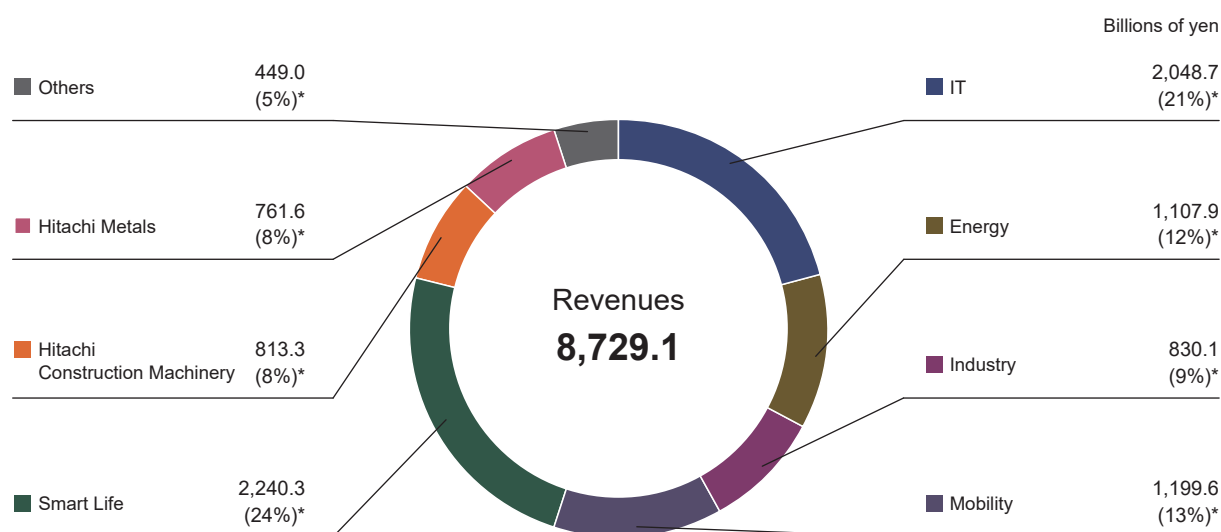
Hitachi has also worked to establish a business foundation to grow into a global leader. Hitachi has continued reforms of its business portfolio, including the sale of Hitachi Chemical and the diagnostic imaging-related business while launching Hitachi ABB Power Grids Ltd. and Hitachi Astemo, Ltd. (former Hitachi Automotive Systems, Ltd) In addition, under the COVID-19 pandemic, Hitachi put the top priority on the health and safety of its employees, their families and its customers and took measures to maintain social infrastructure and secure a system to support customers and promoted new workstyles to make remote work as the standard.

Thus, Hitachi has established a system to achieve further growth even in the new normal.

## Consolidated Financial Results for Fiscal 2020 (Billions of yen)

Revenues	<b>8,729.1</b>	Year over year	<b>100%</b>
Adjusted operating income	<b>495.1</b>	Year over year	<b>75%</b>
(Adjusted operating income ratio)	( <b>5.7%</b> )		
Earnings before interest and taxes (EBIT)	<b>850.2</b>	Year over year	<b>463%</b>
Net income attributable to Hitachi, Ltd. Stockholders	<b>501.6</b>	Year over year	<b>573%</b>
Return on invested capital (ROIC)	<b>6.4%</b>	Year over year	<b>-3.0</b>

- Notes: 1. The consolidated financial statements of the Company have been prepared in conformity with the International Financial Reporting Standards (IFRS).  
 2. "Adjusted operating income" is presented as revenues less cost of sales as well as selling, general and administrative expenses.  
 3. "EBIT" is presented as income from continuing operations, before income taxes less interest income plus interest charges.  
 4. ROIC = ("NOPAT" + Share of profits (losses) of investments accounted for using the equity method) / "Invested Capital" × 100  
 NOPAT (Net Operating Profit after Tax) = Adjusted Operating Income × (1 - Tax burden rate)  
 Invested Capital = Interest-bearing debt + Total equity



\* Percentage to total revenues

Note: Revenues by segment include intersegment transactions.

## Results by Segment (Billions of yen)

### IT

Main Products and Services (As of March 31, 2021)

Digital Solutions (Consulting, Software, Cloud Services, System Integration, Control Systems), IT Products (Storage, Servers), ATMs



Revenues	2,048.7 billion yen 98% of the preceding fiscal year	(-) Decline in overseas sales, mainly in North America (-) Reactionary decrease (including project for one-time demand in the preceding fiscal year) in IT service business
Adjusted operating income	269.4 billion yen 108% of the preceding fiscal year	Achieved a record-high (adjusted operating income ratio of 13.2%) (+) Secured profitability by improved cost structure (-) Decrease in revenues
EBIT	244.8 billion yen 114% of the preceding fiscal year	(+) Increase in adjusted operating income (+) Decrease in structural reform expenses
ROIC	17.8% Decrease of 0.6 points from the preceding fiscal year	—

\* (+) means main factor of increase while (-) means main factor of decrease.

#### [Business Strategy]

The IT sector will meet the expectations of both of its domestic and global customers and realize a sustainable society leveraging the power of digital technologies, including Lumada, as it aims to become the world's top tier solution provider. By fulfilling the need for DX promotion, the IT sector will work to enhance social value through the provision of advanced digital solutions in the fields of finance and social infrastructure and also create environmental value through its efforts to improve environmental efficiency throughout the entire life cycle of products and services. The IT sector will also accelerate global development of Lumada and expand its social innovation business through utilization of GlobalLogic, which Hitachi has decided to acquire.



Data analytics-related solutions



# Energy

Main Products and Services (As of March 31, 2021)

Energy Solutions (Nuclear, Renewable Energy, Thermal, Power Grid)



Revenues	1,107.9 billion yen 278% of the preceding fiscal year	(+) Effect of the acquisition of ABB's Power Grids business (-) Decrease in energy business
Adjusted operating income	- 47.7 billion yen - of the preceding fiscal year	(-) Acquisition-related amortization (-) Strengthening measures for some projects in renewable energy business, etc. (+) Increase in revenues
EBIT	- 55.5 billion yen - of the preceding fiscal year	(-) Decrease in adjusted operating income (+) Loss for the settlement on the South Africa projects recorded in the preceding fiscal year
ROIC	-2.7% Decrease of 9.1 points from the preceding fiscal year	—

## [Business Strategy]

Leveraging its strengths in "OT x IT x Products," the Energy sector is contributing to the stable supply of energy, efficient equipment management, the reduction of CO2 emissions and the realization of a decarbonized society by providing energy solutions through co-creation with its customers and partners. The Energy sector will contribute to the achievement of the SDGs through the development of its social innovation business as needed in each region, including the development of new solutions and stronger resilience through the utilization of digital technologies, by combining the global competitiveness of Hitachi ABB Power Grids and the technologies and knowledge of Hitachi.



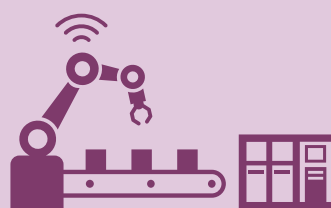
Ultra-high voltage gas insulated switching equipment



# Industry

**Main Products and Services** (As of March 31, 2021)

**Industry & Distribution Solutions, Water & Environment Solutions, Industrial Machinery**



Revenues	<b>830.1 billion yen</b> 99% of the preceding fiscal year	(-) Decrease in industrial products business (+) Effect of acquisition of JR Automation
Adjusted operating income	<b>45.5 billion yen</b> 83% of the preceding fiscal year	(-) Decrease in revenues (+) Profit increase from acquisition of JR Automation and expansion of digital solution business
EBIT	<b>42.3 billion yen</b> 73% of the preceding fiscal year	(-) Decrease in adjusted operation income (-) Decrease in profit of an equity-method associate, etc.
ROIC	<b>6.1%</b> Decrease of 2.5 points from the preceding fiscal year	—

## [Business Strategy]

The Industry sector will leverage its strengths in "OT x IT x Products" and Lumada to enhance and expand its total seamless solutions that connect management, workplaces and supply chains to achieve total optimization. It also accelerates its global development such as the acquisition of JR Automation in the U.S. With these strategies, the Industry sector aims to become the best solution partner for its customers in the industry area.



Robot system integration business of JR Automation

# Mobility

Main Products and Services (As of March 31, 2021)

Building Systems (Elevators, Escalators), Railway Systems



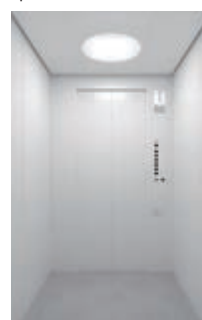
Revenues	1,199.6 billion yen 105% of the preceding fiscal year	(+) Expansion of Chinese business in building systems business (-) Decrease in railway systems business
Adjusted operating income	74.7 billion yen 81% of the preceding fiscal year	(-) Decrease in revenues of railway systems business (+) Increase in revenues and profitability improvement due to cost reduction, etc. in building systems business
EBIT	129.0 billion yen 115% of the preceding fiscal year	(+) Gains from selling a part of Agility Trains East stocks (-) Decrease in adjusted operating income
ROIC	8.9% Decrease of 2.4 points from the preceding fiscal year	—

## [Business Strategy]

In the building systems business, the Mobility sector will meet the needs present in the new normal, such as the reduction of the risks presented by infectious diseases, the improvement of disaster resilience and the promotion of workstyle reforms in building management operations by widely leveraging cutting-edge digital technologies for the development of products and services and providing a variety of Lumada solutions for elevators and escalators, and buildings that support safe, secure and comfortable urban lives. In the railway systems business, the Mobility sector will actively promote investment in the Americas, in addition to Japan and Europe, and accelerate its growth by working to tap into business opportunities such as large-scale projects while utilizing its existing manufacturing bases and presence in the maintenance and services markets.



High-speed trains "Frecciarossa 1000"



Standard type elevator

# Smart Life

**Main Products and Services** (As of March 31, 2021)

Smart Life & Ecofriendly Systems (Home Appliances, Air Conditioners), Measurement and Analytical Systems (Medical and Bio, Semiconductor, Industry), Automotive Systems (Powertrain, Chassis, Advanced Driver Assistance, Motorcycle)



Revenues	2,240.3 billion yen 103% of the preceding fiscal year	(+) Effect of Hitachi Astemo integration (-) COVID-19 impact
Adjusted operating income	114.1 billion yen 96% of the preceding fiscal year	(-) Profitability decrease in diagnostic imaging related business (+) Profitability improvement in home appliances business
EBIT	206.5 billion yen 229% of the preceding fiscal year	(+) Gains from selling diagnostic imaging-related business (-) Impairment loss on fixed assets in automotive systems business
ROIC	5.9% Decrease of 2.1 points from the preceding fiscal year	—

Note: Effective from April 1, 2020, Hitachi High-Tech was reclassified in this segment due to making Hitachi High-Tech Corporation a wholly-owned subsidiary of Hitachi, Ltd. in May 2020. Figures shown above, including the numbers for the preceding fiscal year, have been restated on the basis of the reclassification.

## [Business Strategy]

The Smart Life sector will actively invest in the strengthening of its products that retain the largest market shares using digital technologies and in expansion of service businesses through co-creation with its customers. The Smart Life sector will contribute to the realization of a smart life that improves the QoL (Quality of Life) of people by creating competitive solutions in growing markets, including the integration of medical care and biotechnology, the quality improvement of semiconductors that support digitalization and 5G, the application of AI and robots in households, and advanced driver assistance for automobiles, while utilizing Lumada's data analysis technologies.



Particle therapy system (Osaka Heavy Ion Therapy Center)

## Hitachi Construction Machinery

### Main Products and Services

(As of March 31, 2021)

Hydraulic Excavators, Wheel Loaders, Mining Machinery, Maintenance and Services, Construction Solutions, Mine Management Systems

Revenues	813.3 billion yen 87% of the preceding fiscal year	(-) COVID-19 impact (-) Impact of foreign exchange
Adjusted operating income	31.6 billion yen 42% of the preceding fiscal year	(-) Decrease in revenues (-) Change in model mix of value chain business and other model mix (+) Profitability improvement due to cost reduction, etc.
EBIT	27.6 billion yen 39% of the preceding fiscal year	(-) Decrease in adjusted operating income



Ultra-large hydraulic excavator and rigid dump truck for mining

## Hitachi Metals

### Main Products and Services

(As of March 31, 2021)

Specialty Steel Products, Functional Components and Equipment, Magnetic Materials and Power Electronics Materials, Wires, Cables and Related Products

Revenues	761.6 billion yen 86% of the preceding fiscal year	(-) Decrease in demand for automobiles
Adjusted operating income	- 4.9 billion yen - of the preceding fiscal year	(-) Decrease in revenues
EBIT	- 49.1 billion yen - of the preceding fiscal year	Recorded impairment loss in the magnetic materials business (-) Decrease in adjusted operating income (+) Decrease in structural reform expenses



Clad metals for lithium-ion batteries

## Others

### Main Products and Services

(As of March 31, 2021)

Optical Disk Drives, Property Management

Revenues	449.0 billion yen 93% of the preceding fiscal year	Adjusted operating income	21.2 billion yen 95% of the preceding fiscal year	EBIT	25.3 billion yen 81% of the preceding fiscal year
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## (2) Five-year Summary of Assets and Results of Operation of Hitachi Group

### 1) Consolidated Basis

(Billions of yen)

Fiscal Year	2016	2017	2018	2019	2020
Revenues	9,162.2	9,368.6	9,480.6	8,767.2	8,729.1
Adjusted Operating Income	587.3	714.6	754.9	661.8	495.1
EBIT	475.1	644.2	513.9	183.6	850.2
Income Before Income Taxes	469.0	638.6	516.5	180.2	844.4
Net Income Attributable to Hitachi, Ltd. Stockholders	231.2	362.9	222.5	87.5	501.6
Total Assets	9,663.9	10,106.6	9,626.5	9,930.0	11,852.8

### 2) Unconsolidated Basis

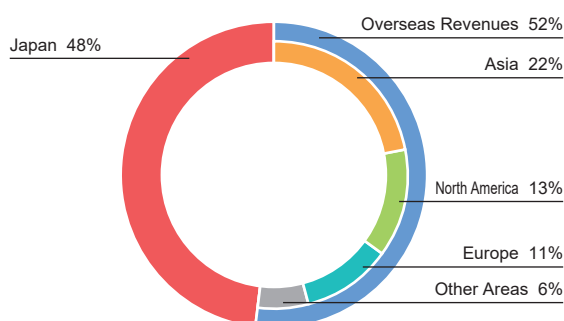
(Billions of yen)

Fiscal Year	2016	2017	2018	2019	2020
Revenues	1,906.5	1,930.2	1,927.2	1,793.2	1,678.2
Operating Income (Loss)	(9.8)	59.0	93.0	108.0	39.0
Ordinary Income	71.5	131.2	304.0	355.4	305.4
Net Income	97.7	136.1	174.0	119.4	705.5
Total Assets	4,070.2	4,040.8	3,934.1	4,004.4	4,982.6

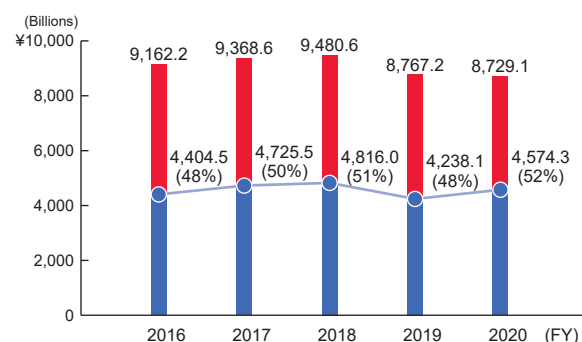
Note: In Fiscal 2020, operating income and ordinary income decreased from the previous fiscal year due to the pandemic of COVID-19, partially offset by the IT sector keeping its high profitability. Net income was achieved the record-high due to the extraordinary income resulted from the sale of Hitachi Chemical shares and diagnostic imaging related business.

### Reference (Consolidated Basis)

#### Revenues by Market (Fiscal 2020)



#### Overseas Revenues Trends



Note: The blue parts show overseas revenues and the red parts show domestic revenues. The number in parenthesis is the percentage of overseas revenues to total revenues.

### (3) Course of Actions to Take Considering Challenges for Hitachi Group

Under the 2021 Mid-term Management Plan, Hitachi will improve three types of customer value: social value (solving social issues), environmental value (reducing the impact on the environment) and economic value (improving business performance), and contribute to the realization of a human-centered society.

Hitachi will focus on the following measures to establish an unshakable position as a global leader that will grow sustainably.

- Further initiatives to enhance customer value

Hitachi will resolve social issues and improve people's QoL (Quality of Life) by focusing on Social Innovation Business in the three areas of the Environment, Resilience and Security & Safety. To achieve these objectives, Hitachi will work on evolution and global expansion of Lumada, leveraging the digital engineering capabilities and co-creation bases of GlobalLogic as growth engines, and strengthen our cyber-physical system using our expertise in "OT x IT x Products." Hitachi will also realize the creation of customer value oriented businesses through co-creation and alliances with partners.



- Continued efforts to strengthen the management foundation

To realize these strategies, Hitachi will establish a business structure with a view toward the next mid-term management plan by having building the business structure that can fully utilize GlobalLogic, the restructured Hitachi ABB Power Grids and Hitachi Astemo and deciding the sale of Hitachi Metals as the culmination of reforms of its business portfolio during the 2021 Mid-term Management Plan.

In addition, Hitachi will continue to strengthen its profitability and ability to generate cash by adding cost reduction measures that take into account our response to the new normal and by further promoting investment return management using return on invested capital (ROIC), under the cost structure reform through the development of operations utilizing digital technologies and data preparation and integration, which are being implemented across the Group.

While the future outlook for the global economy is still uncertain, Hitachi will work on cocreation with customers and new value creation around the world by transforming itself into a company that resolves the social issues and challenges faced by its customers.

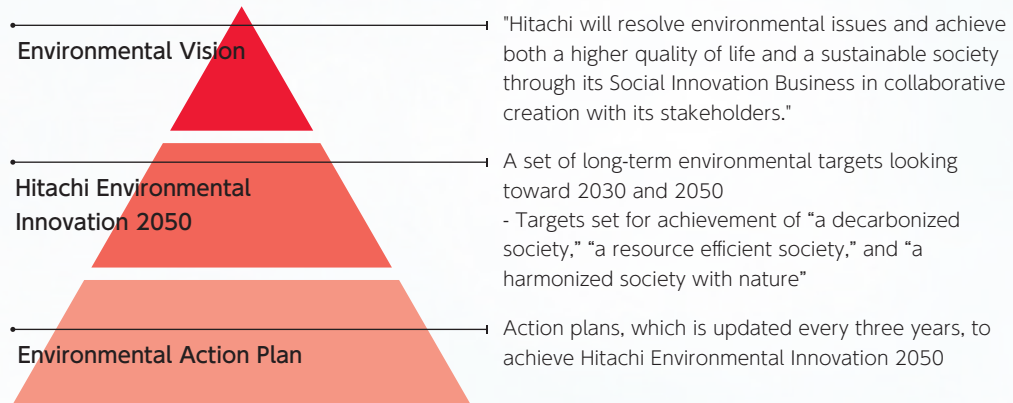


## Measures for Improving Environmental Value

Hitachi's Corporate Philosophy has been to "contribute to society through the development of superior, independent technologies and products" since its foundation. And it is Hitachi's mission to continue to provide solutions to social and environmental challenges in order to achieve a sustainable society.

### “Environmental Vision” and “Hitachi Environmental Innovation 2050”

Hitachi promotes its environmental strategy by establishing its goals and plans as follows.



From April 2021, we will adopt an assessment KPI that linked to environmental value into our executive remuneration.

### Hitachi Carbon Neutrality 2030

Toward the goal of a decarbonized society in particular, we promote Hitachi Carbon Neutrality 2030 aiming for carbon neutrality at our business sites (factories and offices) by fiscal 2030.

#### Hitachi Hitech Fine Systems

Factory achieved carbon neutral by switching all electricity to renewable in 2020





## **Participation in COP26 (Principal Partner) and External Assessment**

As a principal partner of COP26\*, which will be held in the UK in November 2021, we will further increase our commitment to decarbonization and contribution to the society.



\*COP26: United Nations Climate Change Conference

Hitachi achieved SBT\*\* accreditation, one of the greenhouse gas reduction target indicators, in December 2020 and has received external recognition for these environmental actions.

\*\*SBT: Science Based Targets

## **Environmental Strategies Presentation**

Alistair Dormer, Executive Vice President and Executive Officer, who were also appointed as Chief Environmental Officer on April 1, 2021, explained Hitachi's environmental strategy on web conference. The content of the presentation can be viewed at the following URL.

<https://www.youtube.com/watch?v=1p4czsjGNQU&t=2s>



#### (4) Borrowings and Financing Activity of Hitachi Group

##### Major Financing Activities

The Company procured funds through syndicated loan agreements, etc. in order to allocate funds for the acquisition of ABB Ltd's power grid business, etc.

There is no material financing by issuance of stock and corporate bonds for fiscal 2020.

##### Major Borrowings (As of March 31, 2021)

Name of Company	Creditor	Balance of Borrowings
The Company	Japan Bank for International Cooperation	135.0 billion yen
	Mizuho Bank, Ltd.	30.0 billion yen
	MUFG Bank, Ltd.	20.0 billion yen
Hitachi Metals, Ltd.	MUFG Bank, Ltd.	35.5 billion yen

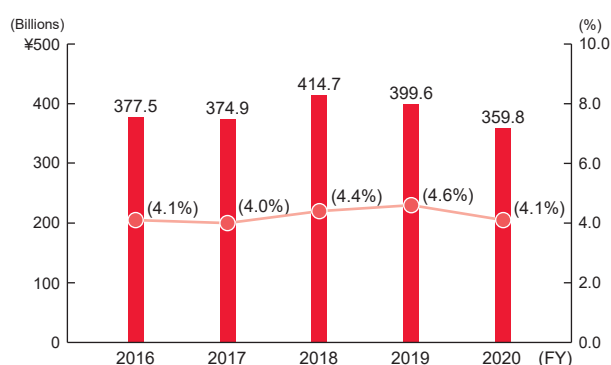
Note: In addition to the figures shown above, the Company owes 521.3 billion yen of long-term borrowings by means of syndicated loan agreements.

#### (5) Capital Investment of Hitachi Group

During fiscal 2020, the Hitachi Group carried out capital investment of 359.8 billion yen for further global business expansion. However, the total investment decreased 39.7 billion yen from the preceding fiscal year mainly due to sell-out of Hitachi Chemical Company, Ltd., and strictly-selected capital investment at Hitachi Metals and Hitachi Construction Machinery. A breakdown of capital investment by segment is shown below.

Segment	Amount (Billions of yen)
IT	78.1
Energy	35.8
Industry	19.7
Mobility	20.5
Smart Life	115.9
Hitachi Construction Machinery	34.7
Hitachi Metals	27.8
Others	30.6
Corporate Items & Eliminations	(3.5)
Total	359.8

##### Capital Investment Trends



Note: The number in parentheses is the percentage of capital investment to total revenues.

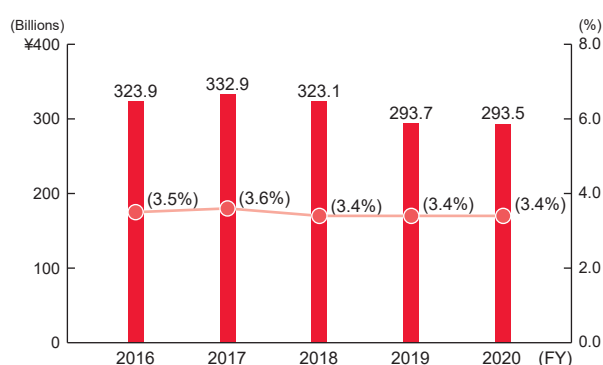
#### (6) Research and Development of Hitachi Group

The Hitachi Group has been conducting R&D to contribute to society, environment and economic value and QoL of people by strengthening its core technology such as Artificial Intelligence, electrification, security, 5G, robotics and data science and working on quantum and regenerative medicine as future disruptive technology.

Expenses on research and development during fiscal 2020 amounted to 293.5 billion yen. A breakdown by segment is shown below.

Segment	Amount (Billions of yen)
IT	54.8
Energy	31.4
Industry	10.5
Mobility	28.6
Smart Life	105.9
Hitachi Construction Machinery	24.7
Hitachi Metals	14.4
Others	4.6
Corporate Items	18.2
Total	293.5

##### Research and Development Expenses Trends



Note: The number in parentheses is the percentage of research and development expenses to total revenues.

**(7) Employees of Hitachi Group** (As of March 31, 2021)

Segment	Number of Employees	Change from the End of the Preceding Year
IT	71,805	-1,194
Energy	43,975	+35,099
Industry	23,419	-796
Mobility	53,517	+6,670
Smart Life	89,883	+33,558
Hitachi Construction Machinery	24,065	-209
Hitachi Metals	28,589	-1,088
Others	12,412	-478
Corporate (Head Office and others)	3,199	+98
Total	350,864	+49,808
(the Company)	( 29,850 )	( -1,592 )

Note: In addition to the figures shown above, the average number of part-time employees (the average of the numbers as of the end of each quarter) during fiscal 2020 at the Hitachi Group was 23,656 (of which, 1,348 worked at the Company).

**(8) Major Facilities of Hitachi Group** (As of March 31, 2021)**Major Facilities of the Company**

	Location
Head Office	Tokyo (Chiyoda-ku)
R&D	Tokyo (Kokubunji), Ibaraki (Hitachi, Hitachinaka), Saitama (Hatoyama), Kanagawa (Yokohama)
Manufacturing, Design and Engineering	Tokyo (Minato-ku, Chiyoda-ku, Shinagawa-ku, Taito-ku, Mitaka), Ibaraki (Hitachi, Hitachinaka), Kanagawa (Kawasaki, Yokohama, Hadano), Yamaguchi (Kudamatsu)
Sales and Area Operations	Tokyo (Chiyoda-ku, Taito-ku, Shinagawa-ku, Minato-ku), Hokkaido Area Operation (Chuo-ku, Sapporo), Tohoku Area Operation (Aoba-ku, Sendai), Kanto Area Operation (Chiyoda-ku, Tokyo), Hokuriku Area Operation (Toyama), Chubu Area Operation (Naka-ku, Nagoya), Kansai Area Operation (Kita-ku, Osaka), Chugoku Area Operation (Naka-ku, Hiroshima), Shikoku Area Operation (Takamatsu), Kyushu Area Operation (Sawara-ku, Fukuoka)

**Major Facilities of Consolidated Subsidiaries of the Company**

Major consolidated subsidiaries of the Company and their locations are as stated in “(9) Major Hitachi Group Companies.”

**(9) Major Hitachi Group Companies (As of March 31, 2021)**

Segment	Name of Company	Location	Ratio of Voting Rights (%)
■ IT	Hitachi Information & Telecommunication Engineering, Ltd.	Yokohama, Kanagawa	100.0
	Hitachi-Omron Terminal Solutions, Corp.	Shinagawa-ku, Tokyo	100.0
	Hitachi Solutions, Ltd.	Shinagawa-ku, Tokyo	100.0
	Hitachi Systems, Ltd.	Shinagawa-ku, Tokyo	100.0
	Hitachi Computer Products (America), Inc.	U.S.A.	100.0
	*Hitachi Global Digital Holdings Corporation	U.S.A.	100.0
	Hitachi Payment Services Private Limited	India	100.0
	Hitachi Vantara LLC	U.S.A.	100.0
■ Energy	Hitachi-GE Nuclear Energy, Ltd.	Hitachi, Ibaraki	80.0
	Hitachi Plant Construction, Ltd.	Toshima-ku, Tokyo	100.0
	Hitachi Power Semiconductor Device, Ltd.	Hitachi, Ibaraki	100.0
	Hitachi Power Solutions Co., Ltd.	Hitachi, Ibaraki	100.0
	Hitachi ABB Power Grids Ltd	Switzerland	80.1
■ Industry	Hitachi Industrial Equipment Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
	Hitachi Industrial Products, Ltd.	Chiyoda-ku, Tokyo	100.0
	Hitachi Industry & Control Solutions, Ltd.	Hitachi, Ibaraki	100.0
	Hitachi Plant Services Co., Ltd.	Toshima-ku, Tokyo	100.0
	*JR Technology Group, LLC	U.S.A.	100.0
	*Hitachi Industrial Holdings Americas, Inc.	U.S.A.	100.0
	Sullair, LLC	U.S.A.	100.0
■ Mobility	Hitachi Building Systems Co., Ltd.	Chiyoda-ku, Tokyo	100.0
	Hitachi Elevator (China) Co., Ltd.	China	70.0
	Hitachi Rail Ltd.	U.K.	100.0
■ Smart Life	Hitachi Astemo, Ltd.	Hitachinaka, Ibaraki	66.6
	Hitachi Global Life Solutions, Inc.	Minato-ku, Tokyo	100.0
	Hitachi High-Tech Corporation	Minato-ku, Tokyo	100.0
	Hitachi Astemo Americas, Inc.	U.S.A.	100.0
	Hitachi Consumer Products (Thailand), Ltd.	Thailand	84.1
■ Hitachi Construction Machinery	Hitachi Construction Machinery Co., Ltd.	Taito-ku, Tokyo	51.5
■ Hitachi Metals	Hitachi Metals, Ltd.	Minato-ku, Tokyo	53.4
■ Others	Hitachi-LG Data Storage, Inc.	Minato-ku, Tokyo	51.0
	Hitachi Real Estate Partners, Ltd.	Chiyoda-ku, Tokyo	100.0
	Hitachi America, Ltd.	U.S.A.	100.0
	Hitachi Asia Ltd.	Singapore	100.0
	Hitachi (China), Ltd.	China	100.0
	Hitachi Europe Ltd.	U.K.	100.0
	Hitachi India Pvt. Ltd.	India	100.0

Notes: 1. The total number of consolidated subsidiaries is 871.

2. The number of equity-method affiliates is 345. The major equity-method affiliates are Hitachi Kokusai Electric Inc., Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd, Hitachi Capital Corporation and Hitachi Transport System, Ltd. Hitachi Capital Corporation merged with Mitsubishi UFJ Lease & Finance Company Limited (currently Mitsubishi HC Capital Inc.) and ceased to be an equity-method affiliate of the Company on April 1, 2021.

3. The companies marked with \* are holding companies; their major operating companies are located in the United States.

4. Hitachi Global Digital Holdings Corporation changed its name to Hitachi Global Digital Holdings LLC on April 1, 2021.

5. Ratio of voting rights includes indirect ownership.

## (10) Directors and Executive Officers

### 1) Directors

#### Name, Position and Responsibilities, etc. (As of March 31, 2021)

Name	Position	Committee Membership	Other Principal Positions Held
Katsumi Ihara	Independent Director	Audit Committee Compensation Committee	Outside Director, Benesse Holdings, Inc.
Ravi Venkatesan	Independent Director	-	Venture Partner, Unitus Ventures LLC. (India) Special Representative for Young People & Innovation, UNICEF
Cynthia Carroll	Independent Director	Nominating Committee	Director, Baker Hughes Company (USA)* Director, Pembina Pipeline Corporation (Canada)* Director, Glencore plc (Switzerland)*
Joe Harlan	Independent Director	-	-
George Buckley	Independent Director	-	Chairman, Smiths Group plc (UK)* Chairman of the Board, Stanley Black & Decker, Inc. (USA)*
Louise Pentland	Independent Director	-	Executive Vice President, Chief Business Affairs and Legal Officer, PayPal Holdings, Inc. (USA)
Harufumi Mochizuki	Independent Director	Chairman of the Board Nominating Committee (Chair) Audit Committee Compensation Committee (Chair)	President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. Outside Director, ITOCHU Corporation
Takatoshi Yamamoto	Independent Director	Audit Committee Compensation Committee	Outside Director, Murata Manufacturing Co., Ltd.
Hiroaki Yoshihara	Independent Director	Nominating Committee Audit Committee (Chair)	Outside Director, HOYA CORPORATION
Helmuth Ludwig	Independent Director	-	Chairperson of the Board, Circor International, Inc. (USA)* Professor of Practice in Strategy and Entrepreneurship, Cox School of Business, Southern Methodist University (USA)
Hideaki Seki	Director	Audit Committee	-
Hiroaki Nakanishi	Executive Chairman	Nominating Committee	Chairman, Japan Business Federation
Toshiaki Higashihara	Director	Compensation Committee	-

- Notes: 1. Mr. Hiroaki Yoshihara, Director (Audit Committee (Chair)), has considerable knowledge of finance and accounting based on his long experience at KPMG Group with businesses related to accounting, etc.
2. The Company has appointed Director Hideaki Seki as a Standing Committee member of the Audit Committee. The Company strives to improve the audit and supervisory functions of the Audit Committee by appointing a Standing Committee member and creating a system where the Audit Committee can discuss and make its decisions based on coordination with the internal auditing division and others, along with a timely grasp of accurate information through attendance to important internal meetings, etc. and information-sharing with other Committee members.
3. All of Independent directors of the Company have been reported as independent directors to the Japanese stock exchanges where the Company is listed.
4. The positions with \* in "Other Principal Positions Held" are similar positions in each of the foreign corporations to outside director under the Companies Act.
5. The Company has transactions, including the sales of products and services and purchase of products and services, with Murata Manufacturing Co., Ltd. and HOYA CORPORATION. The volume of transactions with each of the companies and corporations is negligible in comparison to the total business volume of the Company and to the total business volume of the corresponding entity (less than 1% of either party's consolidated revenues).

#### Resigned Directors

Name	Position	Committee Membership	Other Principal Positions Held	Resignation date
Toyoaki Nakamura	Director	Audit Committee	-	June 30, 2020
Hiroaki Nakanishi	Executive Chairman	Nominating Committee	Chairman, Japan Business Federation	May 12, 2021

#### General Intent of Limited Liability Agreement with Directors

The Company has entered into a limited liability agreement stipulated in Article 427, Paragraph 1 of the Companies Act with each of Directors (excluding Director concurrently serving as an Executive Officer). The general intent of the agreement is to limit the liability of Directors to the aggregate amount of each item stipulated under Article 425, Paragraph 1 of the Companies Act.



### 【Major Activities of Independent Directors】

Each Independent Director attended the Board meetings and relevant Committee meetings, stated opinions and made proposals proactively, conducted analyses from various perspectives, and discussed openly and effectively.

Name	Attendance	Activities
Katsumi Ihara	Board of Directors meetings: 9 out of 9 days Audit Committee: 17 out of 17 days Compensation Committee: 4 out of 4 days	Mr. Ihara stated his opinions and made proposals with respect to general management of the Group such as management policies and business strategies from a business management viewpoint based on his rich corporate management experience and insight gained through the involvement in management at major companies conducting diversified businesses globally.
Ravi Venkatesan	Board of Directors meetings: 6 out of 6 days	Mr. Venkatesan stated his opinions and proposals with respect to general management of the Group such as management policies and business strategies mainly focusing on digital business from a global viewpoint based on his rich experience and insight in the area of digital business and emerging markets.
Cynthia Carroll	Board of Directors meetings: 9 out of 9 days Nominating Committee: 8 out of 8 days	Ms. Carroll stated her opinions and made proposals with respect to general management of the Group such as management policies and business strategies from a global viewpoint as well as a perspective of diversity & inclusion based on her rich experience and insight as the top executive of major global companies.
Joe Harlan	Board of Directors meetings: 9 out of 9 days	Mr. Harlan stated his opinions and made proposals with respect to general management of the Group such as management policies and business strategies from a global business management viewpoint based on his rich corporate management experience and insight gained through the involvement in management at major companies conducting diversified businesses globally.
George Buckley	Board of Directors meetings: 9 out of 9 days	Mr. Buckley stated his opinions and made proposals with respect to general management of the Group such as management policies and business strategies from a global business management viewpoint based on his rich management experience and insight with a major global manufacturer.
Louise Pentland	Board of Directors meetings: 9 out of 9 days	Ms. Pentland stated her opinions and made proposals with respect to general management of the Group such as management policies and business strategies mainly from a compliance and risk management viewpoint based on her rich experience and insight as chief legal officer at major global companies.
Harufumi Mochizuki	Board of Directors meetings: 9 out of 9 days Nominating Committee: 8 out of 8 days Audit Committee: 17 out of 17 days Compensation Committee: 4 out of 4 days	Mr. Mochizuki stated his opinions and made proposals with respect to general management of the Group such as management policies and business strategies based on his rich experience and insight in such areas as public administration. He also led discussion as Chairperson at the Board meetings, the Compensation Committee and the Nominating Committee respectively.
Takatoshi Yamamoto	Board of Directors meetings: 9 out of 9 days Audit Committee: 17 out of 17 days Compensation Committee: 4 out of 4 days	Mr. Yamamoto stated his opinions and made proposals with respect to general management of the Group such as management policies and business strategies from investor's viewpoints focusing on the one regarding IR/information disclosure and corporate value based on his rich experience and insight in the area of corporate analysis and global corporate management.
Hiroaki Yoshihara	Board of Directors meetings: 9 out of 9 days Nominating Committee: 8 out of 8 days Audit Committee: 17 out of 17 days	Mr. Yoshihara stated his opinions and made proposals with respect to general management of the Group such as management policies and business strategies based on his rich experience and insight in the area of global corporate management and accounting. He also led discussion as Chairperson at the Audit Committee.
Helmuth Ludwig	Board of Directors meetings: 6 out of 6 days	Mr. Ludwig stated his opinions and proposals with respect to general management of the Group such as management policies and business strategies mainly focusing on the digital business from a global viewpoint based on his rich experience and insight in the area of global corporate management and digital business.

## 2) Executive Officers

Name, Position and Responsibilities, etc. (As of March 31, 2021)

Name	Position	Responsibilities	Other Principal Positions Held
*Toshiaki Higashihara	President	Overall management	-
*Masakazu Aoki	Executive Vice President and Executive Officer	Assistant to the President (business for industry & distribution sectors, water & environment business and industrial products business)	-
*Ryuichi Kitayama	Executive Vice President and Executive Officer	Assistant to the President (marketing & sales and regional strategies), marketing & sales and regional strategies	-
*Keiji Kojima	Executive Vice President and Executive Officer	Assistant to the President (smart life & ecofriendly systems business, automotive systems business and healthcare business) and smart life & ecofriendly systems business	-
*Keiichi Shiotsuka	Executive Vice President and Executive Officer	Assistant to the President (systems & services business and defense systems business), systems & services business, defense systems business and social innovation business promotion	-
*Alistair Dormer	Executive Vice President and Executive Officer	Assistant to the President (building systems business and railway systems business) and environmental strategy	-
*Toshikazu Nishino	Executive Vice President and Executive Officer	Assistant to the President (nuclear energy business and energy business)	-
Atsushi Oda	Senior Vice President and Executive Officer	Nuclear energy business and energy business	-
*Yoshihiko Kawamura	Senior Vice President and Executive Officer	Finance, corporate pension system and investment strategies	-
Toshiaki Tokunaga	Senior Vice President and Executive Officer	Services & platforms business	Chairman of the Board, Hitachi Vantara LLC
*Hidenobu Nakahata	Senior Vice President and Executive Officer	Corporate communications, corporate auditing, corporate export regulation and human capital	-
Mamoru Morita	Senior Vice President and Executive Officer	Management strategies and strategies for next generation business	Director, Hitachi Metals, Ltd.
Keiichi Akino	Vice President and Executive Officer	Marketing & sales (business for financial institutions, government, public corporation and social infrastructure systems and defense systems business)	-
Jun Abe	Vice President and Executive Officer	Business for industry & distribution sectors	-
Hitoshi Ito	Vice President and Executive Officer	Governments & external relations and CSR & environmental strategy	-



Name	Position	Responsibilities	Other Principal Positions Held
Kenji Urase	Vice President and Executive Officer	Energy business	-
Ryuichi Otsuki	Vice President and Executive Officer	Investment strategies	-
Tadashi Kume	Vice President and Executive Officer	Nuclear energy business	-
Kohei Kodama	Vice President and Executive Officer	Legal matters, risk management and corporate auditing	-
Norihiro Suzuki	Vice President and Executive Officer	Research & development	-
Yoji Takeuchi	Vice President and Executive Officer	Marketing & sales (business for industry & distribution sectors, water & environment business, building systems business, railway systems business and healthcare business)	-
Koujin Nakakita	Vice President and Executive Officer	Regional strategies (APAC)	Chairman, Hitachi Asia Ltd.
Katsuya Nagano	Vice President and Executive Officer	Business for government, public corporation and social infrastructure systems, and defense systems business	-
Seiichiro Nukui	Vice President and Executive Officer	One Hitachi actions promotion	-
Yasushi Nomura	Vice President and Executive Officer	Information technology strategies	-
Andrew Barr	Vice President and Executive Officer	Railway systems business	Director, Hitachi Rail Ltd
Masahiko Hasegawa	Vice President and Executive Officer	Marketing & sales and regional strategies (Japan)	Director, Hitachi Capital Corporation
Kentaro Masai	Vice President and Executive Officer	Supply chain management (MONOZUKURI and quality assurance)	-
Shinya Mitsudomi	Vice President and Executive Officer	Building systems business	President and Director, Hitachi Building Systems, Co., Ltd.
Masashi Murayama	Vice President and Executive Officer	Cost structure reform and information security management	-
Tsugio Yamamoto	Vice President and Executive Officer	Business for financial institutions	-
Takashi Yoda	Vice President and Executive Officer	Regional strategies (China)	Chairman, Hitachi (China), Ltd.
Hiroaki Nakanishi	Executive Officer	General	Chairman, Japan Business Federation

Notes: 1. The Executive Officers marked with \* are the Representative Executive Officers.

2. The President, Toshiaki Higashihara and the Executive Officer, Hiroaki Nakanishi concurrently hold the position of Director.

## New Executive Officers

The Company changed its Executive Officers as of April 1 and May 12, 2021 as follows.

Name	Position	Responsibilities
*Toshiaki Higashihara	Executive Chairman President	General
*Masakazu Aoki	Executive Vice President and Executive Officer	Assistant to the President (business for industry & distribution sectors, water & environment business and industrial products business)
*Ryuichi Kitayama	Executive Vice President and Executive Officer	Assistant to the President (marketing & sales and regional strategies), marketing & sales and regional strategies
*Keiji Kojima	Executive Vice President and Executive Officer	Assistant to the President (smart life & ecofriendly systems business and healthcare strategy), healthcare strategy and information security management
*Alistair Dormer	Executive Vice President and Executive Officer	Assistant to the President (building systems business, railway systems business and environmental strategy), environmental strategy
*Toshiaki Tokunaga	Executive Vice President and Executive Officer	Assistant to the President (systems & services business and defense systems business), systems & services business, defense systems business and social innovation business promotion
*Toshikazu Nishino	Executive Vice President and Executive Officer	Assistant to the President (nuclear energy business, energy business and power grids business)
Jun Abe	Senior Vice President and Executive Officer	Services & platforms business
*Yoshihiko Kawamura	Senior Vice President and Executive Officer	Finance, corporate pension system and investment strategies
Katsuya Nagano	Senior Vice President and Executive Officer	Business for government, public corporation and social infrastructure systems, and defense systems business
*Hidenobu Nakahata	Senior Vice President and Executive Officer	Corporate communications, corporate auditing, corporate export regulation and human capital
**Claudio Facchin	Senior Vice President and Executive Officer	Power grids business
Mamoru Morita	Senior Vice President and Executive Officer	Management strategies and strategies for next generation business
Hitoshi Ito	Vice President and Executive Officer	Government & external relations, sustainability strategy
**Tatsuro Ueda	Vice President and Executive Officer	Business for financial institutions
Kenji Uruse	Vice President and Executive Officer	Energy business
Tadashi Kume	Vice President and Executive Officer	Nuclear energy business
Kohei Kodama	Vice President and Executive Officer	Legal matters, risk management and corporate auditing
Norihiro Suzuki	Vice President and Executive Officer	Research & development
Yoji Takeuchi	Vice President and Executive Officer	Marketing & sales (business for industry & distribution sectors, water & environment business, building systems business, railway systems business and smart life business)

Name	Position	Responsibilities
**Lorena Dellagiovanna	Vice President and Executive Officer	Diversity & inclusion strategy, government & external relations and environmental strategy
Kojin Nakakita	Vice President and Executive Officer	Regional strategies (APAC)
**Hideshi Nakatsu	Vice President and Executive Officer	Water & environment business
Seichiro Nukui	Vice President and Executive Officer	Information technology strategies
Andrew Barr	Vice President and Executive Officer	Railway systems business
Masahiko Hasegawa	Vice President and Executive Officer	Marketing & sales and regional strategy (Japan)
**Tatsuro Hoshino	Vice President and Executive Officer	Marketing & sales (business for financial institutions, government, public corporation and social infrastructure systems and defense systems business)
Kentaro Masai	Vice President and Executive Officer	Supply chain management (manufacturing strategy and quality assurance)
Shinya Mitsudomi	Vice President and Executive Officer	Building systems business
Masashi Murayama	Vice President and Executive Officer	Cost structure reform
**Kazunobu Morita	Vice President and Executive Officer	Business for industry & distribution sectors
Takashi Yoda	Vice President and Executive Officer	Regional strategy (China)

Notes: 1. The Executive Officers marked with \* are the Representative Executive Officers.  
2. The Executive Officers marked with\*\* are newly appointed.

## 2) Contents of Directors' and Officers' Liability Insurance Agreement

### (i) Coverage of Insured Persons

The Company's Directors, Executive Officers and employees who work as officers at the company to which they are assigned, and some domestic subsidiaries' directors, executive officers, corporate auditors and employees who work as officers at the company to which they are assigned

### (ii) Outline of the Insurance Agreement

The agreement compensates damages, litigation costs, etc. incurred by an insured person as a result of a claim for damages due to an act or omission of the insured person as an executive of a company. However, the Company has taken measures to ensure that the appropriateness of the execution of duties by officers is not impaired by excluding compensation for intentional negligence of duties, illegal acquisition of private benefits or benefits, and damages resulting from criminal acts. The entire insurance costs are beared by the Company or its subsidiaries holding the insurance agreement.

#### 4) Compensation for Directors and Executive Officers

Regarding the compensation for Directors and Executive Officers, the Company's Compensation Committee determines the policy on the determination of compensation of Directors and Executive Officers (the "Compensation Policy") as well as the amount of compensation, etc. of each Director and Executive Officer as follows.

##### Compensation Policy

###### [Method of Determination of Policy]

The Company's Compensation Committee sets forth the policy on the determination of the amount of compensation, etc. of each Director and Executive Officer pursuant to applicable provisions of the Companies Act.

###### [Basic Policy]

- Compensation shall be such that it enables the company to attract necessary personnel to achieve an improvement in corporate value through global business growth.
- Compensation shall be commensurate with roles and responsibilities of each Director and Executive Officer.
- Compensation for Directors shall be such that it enables them to exercise functions of supervision of management effectively.
- Compensation for Executive Officers shall be such that it enables them to contribute to sustained improvement in corporate value through the execution of business and employs an appropriate balance between short-term performance and medium- and long-term performance.
- The level of compensation shall be determined taking into account compensation levels at other companies as well as economic and market trends.
- The Compensation Committee utilizes external experts to gain expert advice and an objective viewpoint, if necessary, for considering the details and amounts of compensation.

###### [Compensation Structure]

###### (i) Matters relating to Directors

Compensation for Directors is basic remuneration as fixed pay. The amount of basic remuneration is decided by adjusting a basic amount to reflect full-time or part-time status, committee membership and position, and travel from place of residence, etc. A Director concurrently serving as an Executive Officer is not be paid compensation as a Director.

###### (ii) Matters relating to Executive Officers

Compensation for Executive Officers consists of basic remuneration as fixed pay and short-term incentive compensation & medium- and long-term incentive compensation as variable pay. The basic amount of basic remuneration, short-term incentive compensation, and medium- and long-term incentive compensation is set based on the ratio of 1:1:1 as the standard, taking into account the composition of executive compensation for major global companies, in order to improve corporate value through the growth of global businesses. The higher position Executive Officers holds, the higher proportion of variable pay is set to the total annual compensation.

The method of determination of each type of compensation is as follows.

###### Basic remuneration

- The amount of basic remuneration is decided by adjusting a basic amount set in accordance with the relevant position to reflect the results of an assessment.

###### Short-term incentive compensation

- The amount of short-term incentive compensation is decided within the range of 0 to 200% of a basic amount set according to the relevant position by adjusting that amount to reflect financial results and individual performance. Evaluation items and proportion of evaluation item are as shown in the following table.

Evaluation items		Proportion of evaluation item	
		Executive Officers that constitute the Senior Executive Committee (Note)	Other Executive Officers
Performance-linked component	Company performance	80%	30%
	Division performance	—	50%
Individual target-linked component		20%	20%

Note: In case that an "Executive Officers that constitute the Senior Executive Committee" is in charge of sectors or business units, the same proportion of evaluation item as for "Other Executive Officers" is used.

- The amount of the performance-linked component varies according to the evaluation of company performance and division performance.
- Company performance is evaluated using consolidated revenues and line items for income or earnings in order to measure the level of achievement of consolidated financial forecasts disclosed to stakeholders, including shareholders and investors.
- Division performance is evaluated using performance indicators determined as optimal ones to measure the level of achievement of targets under the Mid-term Management Plan and the annual budgets for divisions.
- The amount of the individual target-linked component varies according to the evaluation of the level of achievement of individual target for each Executive Officer determined based on his/her responsibility.

#### **Medium- and Long-term incentive compensation**

- The shares of restricted stock are granted in order to propel management from a medium- and long-term perspective and to provide incentives to bring about a sustainable increase in enterprise value by further promoting senior management's shared values with shareholders through the holding of shares during their term of office.
- The restriction on transfer shall be lifted if executive officers resign from all of the positions of the Company's executive officer, director, and corporate officer.
- With regard to one-half of granted shares of restricted stock, the number of shares whose transfer restriction is lifted shall be determined after ex-post evaluation in which the total shareholder return of Hitachi stock ("TSR") is compared to growth rate of TOPIX.
  - Lifting of transfer restrictions shall apply to all granted shares if the TSR/TOPIX Growth Rate Ratio is 120% or more.
  - Lifting of transfer restrictions shall apply to part of granted shares if the TSR/TOPIX Growth Rate Ratio is between 80% or more but less than 120% (\*).
  - Transfer restrictions shall not be lifted for any shares if the TSR/TOPIX Growth Rate Ratio is less than 80%.
- \* Number of shares whose transfer restrictions are lifted  
 = Number of granted shares × {(TSR/TOPIX Growth Rate Ratio × 1.25) – 0.5}  
 Shares whose transfer restrictions are not lifted shall be acquired by the Company without consideration.
- If it is deemed to be inappropriate to grant shares of restricted stock due to laws and regulations in the country of residence, etc., cash award based on the value of the Company's share price shall be substituted for restricted stock.
- From Fiscal 2019, shares of restricted stock have been granted in place of the stock options as stock-based compensation the Company has granted previously.

If it is found that an executive officer has been engaged in misconduct during his/her term of office, compensation for Executive Officers that has been already paid shall be returned to the Company.

With regard to persons who are hired externally such as foreign persons, a compensation package could be individually determined based on the level of compensation in a job market which is considered for compensation benchmarking while referring the above policy. The Company grants restricted stock units to non-Japanese Executive Officers as medium- and long-term incentive compensation. One third of vested restricted stock units are delivered in the form of shares of common stock of the Company and cash each fiscal year over three years from the beginning of the fiscal year containing the day on which restricted stock units are granted.

#### (iii) Miscellaneous

- It was decided at the Compensation Committee meetings held on December 18, 2007 and March 26, 2008 that the compensation structure for Directors and Executive Officers will be re-examined starting with the compensation for fiscal 2008 and that the retirement allowance will be abolished. The payment of retirement allowance to Directors and Executive Officers due to the abolition of the retirement allowance system will be in an amount determined by the Compensation Committee at the time of the retirement of a relevant Director or Executive Officer based on his/her position and term of office, etc.

## Total Amount of Compensation to and the Number of Directors and Executive Officers in Fiscal 2020

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)				Number of persons
		Fixed pay	Variable pay		Others	
			Short-term incentive compensation	Medium- and long-term incentive compensation		
Directors (excluding Independent Directors)	53	53	—	—	—	2
Independent Directors	356	356	—	—	—	10
Executive Officers	4,059	1,545	1,218	1,295	0	32
Total	4,468	1,954	1,218	1,295	0	44

- Notes: 1. The number of Directors indicated excludes two Directors who serve concurrently as Executive Officers.  
2. The compensation to Directors (excluding outside Directors) includes the basic remuneration of a Director who retired due to expiration of his term of office on June 30, 2020.  
3. Fixed pay and short-term incentive compensation consist of monetary compensation, and medium- and long-term incentive compensation consists of non-monetary compensation and monetary compensation.  
4. "Others" shows the amount of rewards for inventions.

### Performance Indicators Used to Calculate Performance-linked Compensation

Regarding the short-term incentive compensation, "Company performance" was evaluated referring to consolidated revenues, adjusted operating income, EBIT, and net income attributable to Hitachi, Ltd. stockholders in order to measure the level of achievement of consolidated financial forecasts disclosed to stakeholders, including shareholders and investors. "Division performance" was evaluated referring to adjusted operating income and operating cash flows in each division, among other indicators, to measure the level of achievement of targets under the Mid-term Management Plan and the annual budgets for divisions.

Please refer to "(1) Business Overview and Results of Hitachi Group" in this report regarding the business results in Fiscal 2020.

The TSR/TOPIX Growth Rate Ratios defined in conditions for exercising stock option as stock-based compensation (stock acquisition rights) and in conditions for lifting transfer restrictions of restricted stock issued as medium- and long-term incentive compensation are as follows.

Name	Term	Total Shareholder return. TOPIX Growth Rate Ratio
The First Stock Acquisition Rights of Hitachi, Ltd.	From April 1, 2016 to March 29, 2019	125.8%
The Second Stock Acquisition Rights of Hitachi, Ltd.	From March 31, 2017 to March 31, 2020	121.6%
The Third Stock Acquisition Rights of Hitachi, Ltd.	From March 30, 2018 to March 31, 2021	120.5%
Restricted Stocks issued in May 2019	From April 1, 2019 to March 31, 2021 (Note )	117.2%
Restricted Stocks issued in May 2020	From April 1, 2020 to March 31, 2021 (Note )	114.8%

Note: The ratios are calculated to determine the number of shares whose transfer restrictions are lifted for persons who retired from Executive Officers, Directors or Corporate Officers on March 31, 2021.

### Reasons Why the Compensation Committee Judged that the Respective Amount of Compensation, etc. of Each Director and Executive Officer in Fiscal 2020 was in Line with the Compensation Policy

The Compensation Committee judged that the respective amount of compensation, etc. of each Director and Executive Officer was in line with the Compensation Policy, because it determined the "Compensation Structure" which is a specific criteria, based on the "Basic Policy," and determined the specific amount of compensation in accordance with the "Compensation Structure."

**(11) Matters Concerning the Company's Stock** (As of March 31, 2021)

- 1) **Authorized** 2,000,000,000 shares  
 2) **Issued** 967,885,277 shares  
 3) **Number of Shares per Unit** 100 shares  
 4) **10 Largest Shareholders**

Name	Share Ownership	Shareholding Ratio
	Shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	91,166,600	9.43
Custody Bank of Japan, Ltd. (Trust Account)	59,465,400	6.15
Hitachi Employees' Shareholding Association	20,606,840	2.13
STATE STREET BANK AND TRUST COMPANY 505223	20,578,060	2.13
Nippon Life Insurance Company	20,000,099	2.07
NATS CUMCO	18,702,358	1.93
SSBTC CLIENT OMNIBUS ACCOUNT	16,715,255	1.73
STATE STREET BANK AND TRUST COMPANY 505001	16,698,514	1.73
JP MORGAN CHASE BANK 385632	16,563,302	1.71
STATE STREET BANK WEST CLIENT - TREATY 505234	15,549,487	1.61

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

2. Treasury stock (1,055,799 shares) is not included in the calculation of "Shareholding Ratio."

**5) Shareholders Composition**

Class of shareholders	Status of shares							Number of shares less than one unit (shares)	
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Foreign corporations, etc.		Individuals and others		Total
					Non-individuals	Individuals			
Number of shareholders	3	205	62	2,308	1,087	125	222,379	226,169	-
Share ownership (units)	95	3,200,291	434,021	144,379	4,298,023	763	1,577,468	9,655,040	2,381,277
Ownership percentage of shares (%)	0.00	33.15	4.50	1.50	44.52	0.01	16.34	100.00	-

Note: Of 1,055,799 shares of treasury stock, 10,557 units are included in the "Individuals and others" column, while 99 shares are included in the "Number of shares less than one unit" column.

**6) Shares Issued to the Executive Officers, etc. of the Company as Compensation**

The Company issued 475,800 of new shares to 31 Executive Officers and 129,000 of new shares to 33 Corporate Officers (the executive positions next to Executive Officers), respectively, as restricted stock compensation, the medium- and long-term incentive compensation mentioned at Page 33 of this report, on May 27, 2020.



## (12) Matters Concerning Accounting Auditor

### 1) Name of accounting auditor

Ernst & Young ShinNihon LLC

### 2) Fees to accounting auditor in Fiscal 2020

(Millions of yen)

Category	Amount		
	Fees for audit services*	Fees for non-audit services	Total
Fees etc. by the Company and its subsidiaries	1,484	118	1,602
Fees etc. by the Company	525	101	626

Notes: 1. The column marked with \* includes fees for audits under the Financial Instruments and Exchange Act.

2. The Audit Committee of the Company has given the consent with regard to the fees etc. to accounting auditor, in accordance with Article 399, Paragraph 1 of the Companies Act, after having obtained necessary information and examined the status of the execution of duties by the accounting auditor, content of the audit plan, and grounds for calculating the estimated amount of fees, etc.

### 3) Description of non-audit services

The Company commissioned various consulting services and assurance services (except auditing) to Ernst & Young ShinNihon LLC and paid fees.

### 4) Subsidiaries whose financial statements are audited by certified public accountants, etc. other than the Company's accounting auditors

Of the major Hitachi Group companies (listed in (9) Major Hitachi Group Companies), overseas subsidiaries have certified public accountants ("CPA") or auditing firms, etc. of the network firms that Ernst & Young ShinNihon LLC belongs audit their financial statements.

### 5) Removal and non-retention policy on accounting auditors

In the event the Audit Committee determines that the causes provided for in each item of Paragraph 1 of Article 340 of the Companies Act apply to an accounting auditor and the accounting auditor needs to be removed immediately, the Audit Committee shall remove the accounting auditor by unanimity. Should this occur, the Audit Committee member selected by the Audit Committee shall give a report on the removal of the accounting auditor and the reason therefor at the first general meeting of shareholders to be convened after the said removal.

Besides the case above, it is determined that an accounting auditor should be replaced for such reason as the difficulty of ensuring an adequate performance of duties by the accounting auditor, the Audit Committee shall determine the contents of the agenda item on the non-retention of the accounting auditor to be submitted to the general meeting of shareholders.

**(13) Policy on Determination of Distribution of Surplus etc.**

The Company views the return of profits to shareholders through enhancing corporate value from mid- to long-term perspective and paying dividends continuously as an important managerial issue.

The policy of the Company regarding dividends is to aim for stable growth of dividends while also securing funds necessary for investment, and the dividends are determined by comprehensively taking into account factors such as financial performance trends, the financial situation, and the dividend payout ratio.

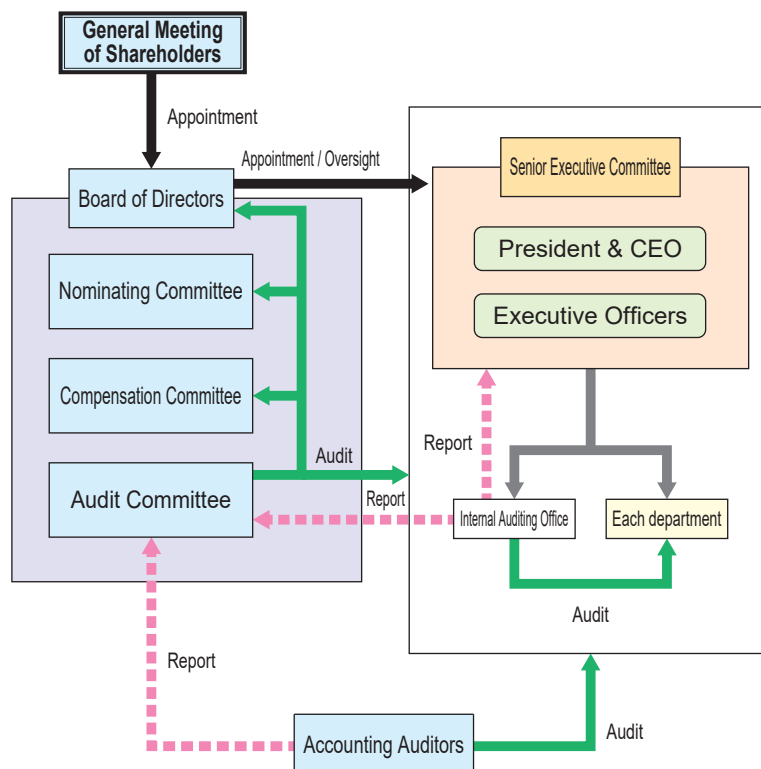
To complement its dividends, the Company flexibly conducts repurchase of its shares depending on factors such as capital needs and the business environment.

In accordance with mid- to long-term management strategy, the Company utilize undistributed profits in areas such as M&A, research and development, and capital expenditure, in order to secure competitiveness and aim for growth of the business as global enterprise.

[Reference] Corporate Governance System and Internal Control System (As of March 31, 2021)

The Company is a company with Nominating Committee, etc. under the Companies Act, aiming to establish a framework for quick business operation and to realize highly transparent management by separating responsibilities for management oversight and those for execution of business operations.

The Board of Directors, which is responsible for the oversight of management, determines basic policies for management, etc. and also monitor business executions by executive officers while significantly delegating authorities to executive officers



Structures and Other Things to Ensure Adequacy of Business Operations (Internal Control Systems) and Operation of the Internal Control Systems is posted on the Company's website (<https://www.hitachi.co.jp/smeet-e/index.html>).

**Consolidated Statement of Financial Position**

	Fiscal 2019 (Reference) (As of March 31, 2020)	Fiscal 2020 (As of March 31, 2021)
	(Millions of yen)	
<b>(Assets)</b>		
<b>Current assets</b>	<b>5,217,589</b>	<b>5,943,300</b>
Cash and cash equivalents	812,331	1,015,886
Trade receivables and contract assets	2,260,205	2,734,476
Inventories	1,408,937	1,653,395
Investments in securities and other financial assets	279,951	328,153
Other current assets	456,165	211,390
<b>Non-current assets</b>	<b>4,712,492</b>	<b>5,909,553</b>
Investments accounted for using the equity method	480,375	472,105
Investments in securities and other financial assets	440,514	534,324
Property, plant and equipment	2,165,311	2,408,887
Goodwill	635,927	1,161,210
Other intangible assets	479,794	964,830
Other non-current assets	510,571	368,197
<b>Total assets</b>	<b>9,930,081</b>	<b>11,852,853</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>3,733,178</b>	<b>4,596,930</b>
Short-term debt	183,303	416,635
Current portion of long-term debt	231,237	274,392
Other financial liabilities	252,403	288,973
Trade payables	1,270,668	1,515,954
Accrued expenses	604,415	698,553
Contract liabilities	615,096	933,844
Other current liabilities	576,056	468,579
<b>Non-current liabilities</b>	<b>1,930,164</b>	<b>2,797,691</b>
Long-term debt	1,070,502	1,706,329
Retirement and severance benefits	514,375	433,954
Other non-current liabilities	345,287	657,408
<b>Total liabilities</b>	<b>5,663,342</b>	<b>7,394,621</b>
<b>(Equity)</b>		
<b>Hitachi, Ltd. stockholders' equity</b>	<b>3,159,986</b>	<b>3,525,502</b>
Common stock	459,862	460,790
Capital surplus	464,795	84,040
Retained earnings	2,296,208	2,710,604
Accumulated other comprehensive income	(57,070)	273,561
Treasury stock, at cost	(3,809)	(3,493)
<b>Non-controlling interests</b>	<b>1,106,753</b>	<b>932,730</b>
<b>Total equity</b>	<b>4,266,739</b>	<b>4,458,232</b>
<b>Total liabilities and equity</b>	<b>9,930,081</b>	<b>11,852,853</b>

## Consolidated Statement of Profit or Loss

	Years ended March 31	
	2020 (Reference)	2021
	(Millions of yen)	
Revenues	8,767,263	8,729,196
Cost of sales	(6,396,895)	(6,533,890)
<b>Gross profit</b>	<b>2,370,368</b>	<b>2,195,306</b>
Selling, general and administrative expenses	(1,708,485)	(1,700,126)
Other income	51,992	476,137
Other expenses	(570,635)	(172,407)
Financial income	5,768	13,969
Financial expenses	(9,033)	(1,456)
Share of profits (losses) of investments accounted for using the equity method	43,639	38,864
<b>Earnings before interest and taxes (EBIT)</b>	<b>183,614</b>	<b>850,287</b>
Interest income	20,638	16,934
Interest charges	(23,984)	(22,778)
<b>Income from continuing operations, before income taxes</b>	<b>180,268</b>	<b>844,443</b>
Income taxes	(51,246)	(325,247)
<b>Income from continuing operations</b>	<b>129,022</b>	<b>519,196</b>
Loss from discontinued operations	(1,776)	(686)
<b>Net income</b>	<b>127,246</b>	<b>518,510</b>
Net income attributable to:		
Hitachi, Ltd. stockholders	87,596	501,613
Non-controlling interests	39,650	16,897

## Unconsolidated Balance Sheet

	Fiscal 2019 (Reference) (As of March 31, 2020)	Fiscal 2020 (As of March 31, 2021)
	(Millions of yen)	
<b>(Assets)</b>		
<b>Current assets</b>	<b>1,573,421</b>	<b>1,229,016</b>
Cash	144,370	149,933
Notes receivable	3,819	3,923
Accounts receivable	678,447	623,879
Finished goods	24,468	15,716
Semi-finished goods	19,779	17,886
Raw materials	31,250	20,346
Work in process	153,684	147,165
Advances paid	31,627	34,105
Short-term loan receivables	316,537	113,377
Others	178,099	114,054
Allowance for doubtful receivables	(8,664)	(11,371)
<b>Fixed assets</b>	<b>2,430,987</b>	<b>3,753,592</b>
Tangible fixed assets	228,572	216,678
Buildings	115,257	112,722
Structures	6,812	6,351
Machinery	10,358	7,957
Vehicles	160	154
Tools and equipment	44,646	42,018
Land	40,564	36,235
Lease assets	7,154	7,426
Construction in progress	3,618	3,812
Intangible fixed assets	96,070	92,901
Patents	37	57
Software	88,511	86,318
Railway and public utility installation	306	293
Lease assets	72	75
Others	7,143	6,157
Investments and others	2,106,344	3,444,013
Affiliated companies' common stock	1,601,494	2,707,316
Other securities of affiliated companies	884	3,457
Investments in affiliated companies	34,539	33,308
Investments in securities	144,150	206,755
Long-term loan receivables	56,613	392,080
Deferred tax assets	229,135	64,621
Prepaid pension cost	5,516	-
Others	34,017	36,700
Allowance for doubtful receivables	(8)	(227)
<b>Total assets</b>	<b>4,004,408</b>	<b>4,982,609</b>

	Fiscal 2019 (Reference) (As of March 31, 2020)	Fiscal 2020 (As of March 31, 2021)
	(Millions of yen)	
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>1,637,039</b>	<b>1,579,915</b>
Electronically recorded obligations	24,097	15,566
Trade accounts payable	314,624	275,216
Short-term debt	52,483	210,340
Lease liabilities	1,621	1,773
Other accounts payable	35,659	67,770
Accrued expenses	344,044	178,682
Advances received from customers	182,761	199,509
Deposits received	627,609	579,149
Provision for product warranties	1,389	492
Provision for loss on construction contracts	44,906	47,456
Others	7,840	3,956
<b>Noncurrent liabilities</b>	<b>788,310</b>	<b>1,158,951</b>
Debentures	250,000	250,000
Long-term debt	318,369	683,408
Lease liabilities	6,386	6,185
Accrued pension liability	68,334	70,389
Provision for retirement benefits for senior executives	111	111
Provision for loss on business of affiliated companies	124,035	129,884
Deferred tax liabilities for land revaluation	1,111	1
Asset retirement obligations	9,548	11,649
Others	10,414	7,322
<b>Total liabilities</b>	<b>2,425,350</b>	<b>2,738,866</b>
<b>(Net assets)</b>		
<b>Stockholders' equity</b>	<b>1,536,931</b>	<b>2,147,865</b>
Common stock	459,862	460,790
Capital surplus	450,746	451,579
Capital reserve	177,828	178,756
Others	272,917	272,823
Retained Earnings	630,131	1,238,988
Others	630,131	1,238,988
Reserve for advanced depreciation of fixed assets	1,246	1,133
Retained earnings carried forward	628,885	1,237,855
Treasury stock	(3,809)	(3,492)
<b>Valuation and translation adjustments</b>	<b>39,921</b>	<b>93,732</b>
Unrealized holding gains on securities	29,763	90,885
Deferred profit or loss on hedges	10,291	2,843
Revaluation reserve for land	(133)	2
<b>Subscription rights to shares</b>	<b>2,204</b>	<b>2,144</b>
<b>Total net assets</b>	<b>1,579,058</b>	<b>2,243,742</b>
<b>Total liabilities and net assets</b>	<b>4,004,408</b>	<b>4,982,609</b>



## Unconsolidated Statement of Operations

	Years ended March 31	
	2020 (Reference)	2021
	(Millions of yen)	
Revenues	1,793,250	1,678,223
Cost of sales	1,290,371	1,252,642
<b>Gross profit on sales</b>	<b>502,878</b>	<b>425,580</b>
Selling, general and administrative expenses	394,830	386,495
<b>Operating income</b>	<b>108,048</b>	<b>39,085</b>
Other income	277,836	303,028
Interest and dividends	263,773	290,349
Others	14,062	12,679
Other deductions	30,393	36,652
Interest	2,918	5,460
Others	27,475	31,191
<b>Ordinary income</b>	<b>355,490</b>	<b>305,461</b>
Extraordinary gain	34,857	638,025
Gain on sale of affiliated companies' common stock	8,087	603,305
Compensation income	-	33,398
Gain on sale of investments in securities	5,208	1,096
Gain on sale of investments in capital of affiliated companies	-	179
Gain on sale of real property	21,561	45
Extraordinary loss	400,132	26,540
Impairment loss on affiliated companies' common stock	3,804	12,980
Loss on impairment of assets	8,934	8,688
Impairment loss on investments in capital of affiliated companies	2,236	3,499
Impairment loss on investments in securities	411	1,372
Loss due to the settlement of the South African project	384,744	-
<b>Income (loss) before income taxes</b>	<b>(9,783)</b>	<b>916,946</b>
Income taxes		
Current	29,114	59,088
Deferred	(158,308)	152,346
<b>Net Income</b>	<b>119,409</b>	<b>705,511</b>

REPORT OF INDEPENDENT AUDITORS

May 10, 2021

Mr. Toshiaki Higashihara, President & CEO

Hitachi, Ltd.

Ernst & Young ShinNihon LLC  
Tokyo Office, Japan

Takashi Ouchida  
Designated Engagement Partner  
Certified Public Accountant

Koji Fujima  
Designated Engagement Partner  
Certified Public Accountant

Takuya Tanaka  
Designated Engagement Partner  
Certified Public Accountant

Shinya Yoshida  
Designated Engagement Partner  
Certified Public Accountant

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of operations, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Hitachi, Ltd. (the "Company") applicable to the 152nd fiscal year from April 1,2020 to March 31,2021.

In our opinion, the accompanying financial statements and the related supplementary schedules present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended March 31, 2021, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and the Related Supplementary Schedules section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit Committee for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the related supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit Committee is responsible for overseeing the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements and the Related Supplementary Schedules

Our objectives are to obtain reasonable assurance about whether the financial statements and the related supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the related supplementary schedules.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements and the related supplementary schedules is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the related supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements and the related supplementary schedules, including the disclosures, and whether the financial statements and the related supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### (Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the unconsolidated financial statements of the Company, prepared in Japanese, for the fiscal year ended March 31, 2021. Ernst & Young ShinNihon LLC has not audited the English language version of the unconsolidated financial statements for the above-mentioned year.

AUDIT REPORT

We, the Audit Committee of the Company, audited the performance by Directors and Executive Officers of their duties during the 152nd business term (from April 1, 2020 to March 31, 2021). We hereby report as follows on the method and results thereof:

1. Method of Audit

- 1) We received periodical reports, obtained required explanations, and clarified opinions regarding the state of implementation and operation of the contents of the resolutions of the Board of Directors concerning the matters as listed in Article 416, Paragraph 1, Item 1 (ro) and (ho) of the Companies Act, and the status of the systems (internal control systems) established thereunder.
- 2) In accordance with the audit policy, assignment of audit duties, etc., as determined by the Audit Committee, and, in collaboration with the relevant departments, we attended important meetings, received reports or heard from the Directors, Executive Officers, etc. on matters concerning the execution of their duties, requested explanations as necessary, inspected important decision documents, etc., and made investigation into the state of activities and property at the head office and principal business offices of the Company.
- 3) As regards subsidiaries, we sought to communicate and exchange information with the Directors, Executive Officers, Auditors, and others of the subsidiaries, received reports on their business operations, requested explanations as necessary, and conduct interviews and other tasks for their Head Offices and principal business offices by visiting to the offices or using the Internet, etc.
- 4) We examined the contents of the fundamental policy on the conduct of persons influencing decision on the Company's financial and business policies set forth in the business report giving due consideration to such things as the circumstances of deliberations by the Board of Directors and others.
- 5) Further, we monitored and examined whether the Accounting Auditors maintained their independence and performed their auditing duties adequately, as well as received reports from the Accounting Auditors on the performance status of their duties and requested explanations as necessary.
- 6) We also received a notice from the Accounting Auditors to the effect that "structures for ensuring that duties are appropriately performed" (matters stipulated in each item under Article 131 of the Regulations of Companies' Financial Statements) were being developed pursuant to the "Quality Management Standards for Auditing" (Business Accounting Council, October 28, 2005) and requested explanations as necessary.

We examined the business report and its supplementary schedules, the unconsolidated financial statements (the unconsolidated balance sheet, the unconsolidated statement of operations, the unconsolidated statement of changes in net assets, and the notes to unconsolidated financial statements) and their supplementary schedules, as well as consolidated financial statements (the consolidated statements of financial position, the consolidated statements of profit or loss, the consolidated statement of changes in equity, and the notes to consolidated financial statements) for this business term in accordance with the foregoing method.

2. Results of Audit

(1) Results of Audit on Business Report etc.

We are of the opinion:

- 1) that the business report and its supplementary schedules fairly present the state of the Company in accordance with the laws, regulations and the Articles of Incorporation;
- 2) that, in connection with the performance by Directors and Executive Officers of their duties, no dishonest act or material fact of violation of laws, regulations or the Articles of Incorporation exists;
- 3) that the contents of the resolution by the Board of Directors concerning internal control systems are appropriate. Further, there is nothing to note with respect to the performance by Directors and Executive Officers of their duties and description of the business report related to said internal control systems;
- 4) that the fundamental policy on the conduct of persons influencing decision on the Company's financial and business policies set forth in the business report are appropriate.

(2) Results of Audit on Unconsolidated Financial Statements and Their Supplementary Schedules

We are of the opinion that the method and results of the audit made by the Company's Accounting Auditors, Ernst & Young ShinNihon LLC are appropriate.

(3) Results of Audit on Consolidated Financial Statements

We are of the opinion that the method and results of the audit made by the Company's Accounting Auditors, Ernst & Young ShinNihon LLC are appropriate.

May 12, 2021

Audit Committee, Hitachi, Ltd.

Hiroaki Yoshihara

Hideaki Seki (Standing)

Katsumi Ihara

Harufumi Mochizuki

Takatoshi Yamamoto

Note: Messrs. Katsumi Ihara, Harufumi Mochizuki, Takatoshi Yamamoto and Hiroaki Yoshihara are outside Directors pursuant to Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

**The 152nd Annual General Meeting of Shareholders of Hitachi, Ltd.**  
**Materials Disclosed via the Internet**

**Hitachi, Ltd.**

Contents

1. Structures and Other Things to Ensure Adequacy of Business Operations (Internal Control System) and Operation of the Internal Control System
2. Fundamental Policy on the Conduct of Persons Influencing Decision on the Company's Financial and Business Policies
3. Information on the stock acquisition rights, etc.
4. Consolidated Statements of Changes in Equity
5. Notes to Consolidated Financial Statements
6. Consolidated Statements of Comprehensive Income (Supplementary Information)
7. Consolidated Statements of Cash Flows (Supplementary Information)
8. Unconsolidated Statement of Changes in Net Assets
9. Notes to Unconsolidated Financial Statements
10. Transcript of Accounting Auditors' Audit Report on Consolidated Financial Statements

Note: The aforementioned materials are provided to the shareholders for their review by posting on the Company's website pursuant to the provisions of the Articles of Incorporation of the Company and the relevant laws and regulations.

## **1. Structures and Other Things to Ensure Adequacy of Business Operations (Internal Control System) and Operation of the Internal Control System**

### **1) Summary of resolution of Board of Directors on enhancing the internal control system**

- a. The following measures shall be taken to ensure the effectiveness of audits by the Audit Committee.
  - (i) When necessary, the Board of Directors may appoint one or more director(s), who does not serve concurrently as an executive officer, as a director responsible for assisting with the duties of the Audit Committee. In addition, the Board of Directors Office (the "Office") shall be established specifically to assist with the duties of each Committee and the Board of Directors.
  - (ii) In order to ensure the independence of the Office personnel from Executive Officers and the effect of instructions by the Audit Committee, the Office is staffed with personnel who work only for the Office and are not subject to orders and instructions of Executive Officers, and the Audit Committee shall be informed in advance of planned transfers of the Office personnel.
  - (iii) Executive Officers and employees shall report without delay to the members of the Audit Committee significant matters affecting the Company and its subsidiaries, results of internal audits, and the implementation status of reporting under the internal reporting system. It shall be provided for in the company regulation that reporters using the internal reporting system common to the Hitachi Group shall not receive disadvantageous treatment for reason of having made a report, and the secretariat of the system shall thoroughly administer this provision.
  - (iv) The Office shall be in charge of payment for the expenses incurred in connection with the execution of the duties of the Audit Committee members and other administrative duties, and shall promptly process the payment for the expense or debt except in the case where the expense or debt of the claim is clearly found to be unnecessary to the execution of the duties of them.
  - (v) Standing Committee member(s) shall be appointed to the Audit Committee, and activity plans of the Audit Committee shall be prepared in coordination with the audit plans of Internal Auditing Office.
- b. The following measures shall be effective to ensure the adequacy of business operations within the Company and the Hitachi Group.
  - (i) Such fundamental policies as the emphasis of the social responsibilities of business enterprises shall be shared with the subsidiaries of the Company.
  - (ii) Each subsidiary of the Company shall develop systems to ensure the appropriateness of operations corresponding to its size and other characteristics, basic framework of which is similar to ones employed in the Company. In order to ensure development of such systems in each subsidiary, directors and auditors shall be sent from the Company to its subsidiary, and regular audits shall be conducted for the subsidiary.
  - (iii) A reporting system to Directors shall be established to ensure that the execution of duties by Executive Officers of the Company is in compliance with laws, regulations, and the Articles of Incorporation.
  - (iv) Information pertaining to the execution of duties by Executive Officers of the Company shall be prepared and maintained in accordance with internal rules.



- (v) A structure shall be established in which each relevant department shall establish regulations and guidelines, conduct training, prepare and distribute manuals, and carry out other such measures with respect to various risks. Efforts shall be made to identify possible new risks through such things as progress reports on business operations and, should it become necessary to respond to a new risk, an Executive Officer responsible for responding thereto shall be appointed promptly.
- (vi) Efficient performance of duties of the Executive Officers of the Company, and Directors and Executive Officers of the subsidiaries shall be ensured through the following business management systems.
  - The Senior Executive Committee shall be established in order to deliberate on and facilitate the formulation of decisions based on due consideration of diverse factors regarding important issues that affect the Company and/or the Hitachi Group.
  - Based on the management policy, medium-term business plans and annual budgets, on which performance management is based, shall be prepared in order to operate business in a planned and efficient manner.
  - Internal audits of the Company and its subsidiaries shall be conducted to monitor and identify the status of their business operations and to facilitate improvements.
  - The Audit Committee shall receive the audit plans of the accounting auditors in advance, and the prior approval of the Audit Committee shall be required with respect to the fees to be paid to the accounting auditors.
  - Documented business processes for matters to be reflected in financial reports shall be executed at the Company and its subsidiaries, and internal and external auditors shall examine said processes in order to ensure the reliability of financial reports.
  - A structure for the adequate and efficient conduct of business operations common to the Hitachi Group companies shall be established.
- (vii) Continuous maintenance of a legal and regulatory compliance structure shall be ensured through the following business management systems.
  - Internal audits shall be conducted, and various committees shall be established for legal and regulatory compliance activities. Furthermore, the internal reporting system common to the Hitachi Group shall be established and education on legal and regulatory compliance shall be provided.
  - Various policies and rules on compliance with laws shall be established, aiming to ensure that the employees are aware of the internal control systems overall and that the systems are effective.
- (viii) A system shall be established, in which the subsidiaries report on important issues and the progress in measures for operations to the Company through the Company's Senior Executive Committee, medium-term business plans and the budget system.
- (ix) The policy on transactions within the Hitachi Group is to trade fairly based on market prices.

## **2) Summary of status of operation of the internal control system**

### **Audit Committee**

- A standing committee member has been appointed to grasp information in a timely and accurate manner through attendance to important internal meetings, such as the Senior Executive Committee, and promote information-sharing with other Committee members.
- The Audit Committee receives reports on audit plans of the accounting auditor and the Internal Auditing Office in advance and proposes changes in such plans, if necessary, and closely coordinate with the accounting auditor and the Internal Auditing Office through exchanging information and opinions on a regular basis.

### **Board of Directors Office**

- In order to assist with the duties of each Committee and the Board of Directors, the Office is staffed with 11 employees (as of March 31, 2021) who exclusively serve the Office and are not subject to orders and instructions of Executive Officers. Five of them are allocated as the full-time auditors auditing the governance and risk management, etc. in each sector of IT, Energy, Industry, Mobility, and Smart Life.

**Senior Executive Committee**

- The Senior Executive Committee meets twice a month, in principle, to deliberate on specific important matters concerning the Company or its subsidiaries and the annual business plan.
- The Senior Executive Committee makes efforts to identify potential signal of new risks through such means as progress reports on business operations of the Company and its subsidiaries, on a regular basis.

**Business Performance Management**

- The Company has formulated business strategies, measures to be taken and financial targets as the medium-term business plan and annual budget, and manages business performance based on these plans.

**Establishment of Internal Regulations and Training, etc.**

- With respect to risks related to compliance, information security, environment, disasters, quality, and investment activities, etc., the Company establishes and amends regulations and guidelines, conducts training, and prepares and distributes manuals to ensure risk management.

**Whistleblowing System**

- The Company has established and operates the whistleblowing system common to the Hitachi Group.
- The Company has also established and operates a reporting system to directors for suspicion of illegal acts, etc. of Executive Officers of the Company.

**Internal Audit**

- The Internal Auditing Office has conducted internal audits of the Company and its subsidiaries to monitor and improve their business operations, as well as to confirm the status of their compliance and prevent illegal acts.
- The Internal Auditing Office has reported the results of its internal auditing for the Company and its subsidiaries to the Audit Committee members without delay.

## **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.

While the Company recognizes the importance of its revitalization of business activities and performance that can be brought about through a change in management control, it also 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.

### 3. Information on the stock acquisition rights, etc.

(Stock Acquisition Rights Held by Senior Managements) (As of March 31, 2021)

Name of stock acquisition rights (Date of resolution)	The First Stock Acquisition Rights of Hitachi, Ltd. (June 29, 2016)	The Second Stock Acquisition Rights of Hitachi, Ltd. (April 6, 2017)	The Third Stock Acquisition Rights of Hitachi, Ltd. (April 11, 2018)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock 214,300 shares	Common stock 228,680 shares	Common stock 208,280 shares
Amount to be paid in upon exercise of stock acquisition rights	¥1 per share	¥1 per share	¥1 per share
Exercise period of stock acquisition rights	From July 15, 2016 to July 14, 2046	From April 27, 2017 to April 26, 2047	From April 27, 2018 to April 26, 2048
Conditions for the exercise of stock acquisition rights	(Note 1, 2)	(Note 1, 2)	(Note 1, 2)
Stock acquisition rights held by senior managements	21 Executive Officers of the Company 10,715 of stock acquisition rights (Note 3)	22 Executive Officers of the Company 11,434 of stock acquisition rights (Note 3)	26 Executive Officers of the Company 10,414 of stock acquisition rights (Note 3)

- Notes: 1. A holder of stock acquisition rights may exercise all the stock acquisition rights together only within 10 days (in case the last day is not a business day, the following business day) from the day immediately following the date on which he/she ceases to be an Executive Officer, a Director or a Corporate Officer of the Company.
2. The number of stock acquisition rights which a holder of stock acquisition rights may exercise shall be determined based on the ratio of (i) the total shareholder return for shares of Hitachi for three years from the beginning of the fiscal year in which the date of allotment of the stock acquisition rights falls to (ii) the growth rate of TOPIX (Tokyo Stock Price Index) for the same period (the "TSR/TOPIX Growth Rate Ratio"), in accordance with the stock price conditions:
- In case the TSR/TOPIX Growth Rate Ratio is 120% or more  
All the stock acquisition rights allotted (the "Allotted Rights") may be exercised.
  - In case the TSR/TOPIX Growth Rate Ratio is 80% or more but less than 120%  
Only a part of the Allotted Rights may be exercised according to the degree of the TSR/TOPIX Growth Rate Ratio (\*).
- $$\text{*Number of stock acquisition rights exercisable} = \text{Number of Allotted Rights} \times \left\{ \left( \frac{\text{TSR/TOPIX Growth Rate Ratio}}{100} \times 1.25 \right) - 0.5 \right\}$$
- Any fraction less than one stock acquisition right will be rounded down.
- In case the TSR/TOPIX Growth Rate Ratio is less than 80%  
No Allotted Rights may be exercised.
3. The number of Executive Officers includes two Executive Officers who concurrently serve as Directors.

#### 4. Consolidated Statement of Changes in Equity (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of year	459,862	464,795	2,296,208	(57,070)	(3,809)	3,159,986	1,106,753	4,266,739
Changes in equity								
Reclassified into retained earnings			9,436	(9,436)		-		-
Net income			501,613			501,613	16,897	518,510
Other comprehensive income				336,624		336,624	79,547	416,171
Dividends to Hitachi, Ltd. stockholders			(96,653)			(96,653)		(96,653)
Dividends to non-controlling interests							(41,076)	(41,076)
Acquisition of treasury stock					(159)	(159)		(159)
Sales of treasury stock		108			475	583		583
Issuance of new shares	928	928				1,856		1,856
Changes in non-controlling interests		(381,791)		3,443		(378,348)	(229,391)	(607,739)
Total changes in equity	928	(380,755)	414,396	330,631	316	365,516	(174,023)	191,493
Balance at end of year	460,790	84,040	2,710,604	273,561	(3,493)	3,525,502	932,730	4,458,232

## 5. Notes to Consolidated Financial Statements

(Notes on Important Matters for Basis of Presentation of Consolidated Financial Statements)

1. Basis of presentation

The consolidated financial statements presented herein, under Article 120, Paragraph 1 of the Regulations of Companies' Financial Statements, have been prepared in conformity with International Financial Reporting Standards (hereinafter "IFRS"). However, under the second sentence of the above provision, some descriptions and notes required under IFRS are omitted.

2. Scope of consolidation and application of equity method

The number of consolidated subsidiaries is 871 and the number of equity-method affiliates is 345.

3. Financial assets

The Company has adopted IFRS 9 "Financial Instruments" (amended in October 2017).

Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost when they meet the following requirements:

- The financial asset is held within a business model the objective of which is to hold the asset to collect contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (including direct transaction costs). The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method.

FVTOCI financial assets(financial assets measured at fair value through other comprehensive income)

The Company holds certain equity instruments with the purpose of expanding its revenue base by maintaining and strengthening business relations with the investees. These equity instruments are classified as FVTOCI financial assets by designation. They are initially and subsequently measured at fair value, and the changes in fair value are recognized in OCI. The cumulative amount of OCI is recognized in equity as AOCI. Dividends on equity instruments designated as FVTOCI are recognized in profit or loss, except where they are considered to be a return of the investment.

FVTPL financial assets(financial assets measured at fair value through profit or loss)

Equity instruments not designated as FVTOCI financial assets and debt instruments not classified as financial assets measured at amortized cost are classified as FVTPL financial assets. These instruments are subsequently measured at fair value and the changes in fair value are recognized in profit or loss.

Impairment of financial assets

The Company evaluates allowance for doubtful receivables depending on whether the credit risk has increased significantly since initial recognition, if the credit risk has increased significantly since initial recognition, the allowance for doubtful receivables is measured at the amount equal to the lifetime expected credit losses on the financial assets, if the credit risk has not increased significantly since initial recognition, the allowance for doubtful receivables is measured at the amount equal to 12-month expected credit losses. However, for trade receivables, contract assets, and lease receivables, allowance for doubtful receivables is always measured at the amount equal to the lifetime expected credit losses. Whether credit risk has increased significantly is determined based on changes in the risk of default and changes in expected credit losses are recognized in profit or loss as impairment losses.

4. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the specific identification method or by the moving average method for finished goods, semi-finished goods and work in process, and generally by the moving average method for raw materials. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to sell.

5. Property, plant and equipment, Goodwill and Other intangible assets

Property, plant and equipment

Property, plant and equipment are measured using the cost model and stated at the cost less accumulated depreciation and accumulated impairment losses. Each asset is depreciated mainly using the straight-line method over its estimated useful lives. Right-of-use asset is depreciated from the commencement date of the lease to the earlier of the end of the useful life of the underlying asset or the end of the lease term on a straight-line basis.

Goodwill and Other intangible assets

Other intangible assets with finite useful lives are measured using the cost model and stated at the cost less accumulated amortization and accumulated impairment losses. Each asset is amortized mainly using the straight-line method over its estimated useful lives.

Goodwill and Other intangible assets with indefinite useful lives are stated at the cost less accumulated impairment losses.



### Impairment losses

For each non-financial asset, the Company reviews the carrying amount and tests for impairment when there are events or circumstances indicating an asset's carrying amount may not be recoverable. For an asset that does not generate cash flows that are largely independent of the cash flows from other assets, the Company considers indicators of impairment based on a cash generating unit (CGU) or a group of CGUs. Irrespective of any indicators of impairment, the Company tests Goodwill and Other intangible assets with indefinite-lives for impairment annually by estimating the recoverable amount of each CGU (or group of CGUs) to which such assets are allocated.

#### 6. Accounting methods for retirement and severance benefits

The Company and certain subsidiaries have defined benefit pension plans, severance lump-sum payment plans and defined contribution pension plans to provide retirement and severance benefits to employees.

##### (1) Defined Benefit Plans

Defined benefit plans include defined benefit pension plans and severance lump-sum payment plans. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method. The present value of defined benefit obligations and the fair value of plan assets are remeasured as of the end of reporting period. Actuarial differences arising during the year and changes in fair value of plan assets (excluding interest income) are recognized in OCI and are not subsequently reclassified into profit or loss. Any prior service cost, which arises at the time of a plan amendment, is recognized immediately in profit or loss when such an amendment occurs.

The present value of defined benefit obligations less the fair value of plan assets is presented as the net amount of defined benefit liability or asset in non-current liabilities or assets.

##### (2) Defined Contribution Plans

Defined contribution pension plans are post-employment benefit plans in which the employer pays a certain amount of premiums to a third-party asset manager but has no legal or constructive obligation to pay in excess of such contributions. Contributions to the defined contribution plans are recognized in profit or loss in the period when the service is provided by the employees.

The risk-sharing corporate pension plan introduced by the Company and its subsidiary in April 2019 is classified as a defined contribution pension plan because the Company effectively has no further obligation to make additional contributions.

#### (Notes on Accounting Estimates)

##### 1. Impairment of Property, Plant and Equipment, Goodwill and Other Intangible Assets (Impairment losses of (109,009) million yen)

The calculation method used in determining impairment of property, plant and equipment, goodwill and other intangible assets are described in note 5 in the "Notes on Important Matters for Basis of Presentation of Consolidated Financial Statements". The Company measures the recoverable amount of an asset or a CGU (or a group of CGUs) as the higher of fair value less costs of disposal and value in use. In measuring fair value, the Company and its subsidiaries primarily use the income approach (present value technique) based on the estimated future cash flows expected to result from the use of the asset and its eventual disposal or the market approach to derive reasonable estimates of values in orderly market transactions, such as comparisons of similar public companies and the current gross value of the asset. Value in use is calculated by the estimated future cash flows based on business plans approved by management, discounted at the discount rate which is derived from the weighted average cost of capital. The business plan used is based on external information, reflects historical experiences, and generally has a maximum of five years. Estimated cash flows beyond the period covered by the business plan are calculated using the estimated growth rate not exceeding the long-term average growth rate of the market to which the asset belongs. The business plan reflects the decrease in demand in certain businesses in the short term due to the impact of the slowdown in the global economy caused by the spread of COVID-19. It may be affected by risks related to market or economic environment, and actual result may differ from the estimates. In addition, the discount rate used to calculate the value in use is affected by stock market trends and fluctuations in interest rates.

As of March 31, 2021, the group of CGUs to which a significant proportion of goodwill was allocated was the power grid business in the Energy segment, and the carrying amount of goodwill allocated to the power grids business was 480,006 million yen. The recoverable amount used in the impairment test of goodwill of the power grid business for the year ended March 31, 2021 was calculated based on value in use. Cash flows were projected over five years, and the primary assumptions used to calculate cash flows were revenue growth rate and gross margin ratio. For the year ended March 31, 2021, there were no impairment losses recognized related to goodwill.

For goodwill allocated to each CGU (or group of CGUs), the Company considers the recoverable amount may be less than the carrying amount if the primary assumptions used in the impairment test of goodwill change significantly.

2. Employee Retirement Benefits (The ending balance of Retirement and severance benefits of 433,954 million yen)  
 Calculation methods for employee retirement benefits are described in the note 6 in the “Notes on Important Matters for Basis of Presentation of Consolidated Financial Statements”.  
 The measurement of a significant amount of employee retirement benefit costs is derived from actuarial valuations containing a number of actuarial assumptions including mortality, withdrawal and retirement rates, changes in wages and the discount rate. The Company and its subsidiaries make judgements regarding the actuarial assumptions used by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Actuarial assumptions are determined based on the best estimates and judgements but may be affected by variance of uncertain economic conditions in the future or by amendments or issuance of related laws.
3. Long-term projects (The ending balance of Provisions for expected losses on construction contracts of 104,275 million yen)  
 The Company is engaged in long-term projects to provide goods and services according to customers’ specifications over a specified period of time, and revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost) and provisions for expected losses on construction contracts are recognized based on future estimated losses when there is a possibility of incurring losses in the future. For long-term projects, the total estimated revenue is calculated to the extent that is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when uncertainty associated with the total estimated revenue is subsequently resolved. In addition, the total estimated costs are estimated considering contract risks and other factors. The Company regularly reviews these estimates and reflects them in its accounting treatment. The amount of revenue recognized based on the pattern of the cost accrual is 1,389,409 million yen.
4. Deferred tax assets (The ending balance of Deferred tax assets of 143,126 million yen)  
 Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which unused tax loss carryforwards, unused tax credits and future deductible temporary differences can be utilized. Future taxable income reflects the decrease in demand in the short term in part of the business due to the impact of the slowdown in the global economy caused by the spread of COVID-19. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. The Company carries out an assessment of the scheduled reversals of deferred tax liabilities and projected future taxable income, including the execution of certain available tax strategies if needed. Based on these factors, the Company considers it is more likely than not it will realize the benefits of these deductible differences as of March 31, 2021. However, the times and amounts of taxable income occurrence may be affected by variance of uncertain economic conditions in the future, and the actual times and amounts may differ from the estimates.

(Notes to Consolidated Statement of Financial Position)

1. The components of Trade receivables and contract assets: Accounts receivable of 1,948,569 million yen, Contract assets of 634,318 million yen, and Others of 151,589 million yen.  
 Trade receivables and contract assets are stated as net of the allowance for doubtful receivables. Others include notes receivable and electronically recorded monetary claims.
2. Accumulated other comprehensive income: Foreign currency translation adjustments of 110,727 million yen, remeasurements of defined benefit plans of 80,300 million yen, net changes in financial assets measured at FVTOCI of 135,022 million yen, and net changes in cash flow hedges of (52,488) million yen.
3. Collateralized assets: Trade receivables and contract assets of 4,990 million yen, inventories of 9,103 million yen, investments in securities and other financial assets of 333 million yen, and property, plant and equipment of 61,099 million yen.  
 Secured debts: 53,584 million yen
4. Allowance deducted directly from assets: 62,686 million yen from trade receivables and contract assets, and 4,331 million yen from other receivables.
5. Property, plant and equipment include land of 278,114 million yen and buildings and structures of 718,181 million yen.  
 Accumulated depreciation and impairment losses of property, plant and equipment are (4,759,545) million yen. Other intangible assets include software of 179,589 million yen.
6. Guarantees: 69,005 million yen

(Notes to Consolidated Statement of Profit or Loss)

1. Other income  
Other income of 476,137 million yen mainly consists of net gain or loss on business reorganization and others of 452,422 million yen. It includes a gain on the sale of shares of Hitachi Chemical in the amount of 278,839 million yen, and on the sale of Diagnostic Imaging-related Business in the amount of 118,320 million yen.
2. Other expenses  
Other expenses of (172,407) million yen mainly consists impairment losses on property, plant and equipment and goodwill and other intangible assets of (109,009) million yen.
3. Income taxes  
Income taxes of (325,247) million yen includes current tax expense of (220,305) million yen and deferred tax expense of (104,942) million yen.

(Notes to Consolidated Statement of Changes in Equity)

1. Class and number of issued shares and treasury stocks at end of year  
(1) Issued shares Common stock 967,885,277 shares  
(2) Treasury stocks Common stock 1,055,799 shares
2. Cash dividends  
Total amount of cash dividends 96,653 million yen
3. Class and number of shares to be issued upon exercise of stock acquisition rights at end of year  
Common stock 731,540 shares

(Notes on Financial Instruments)

1. Status of Financial Instruments  
The Company and its subsidiaries, in an endeavor to optimize the capital efficiency of their business activities through efficient management of operating funds, include highly liquid short-term investments, which mature within three months of the date of acquisition and pose very little risk of fluctuation in value, in "cash equivalents" as immediately available financial resources.  
Customer credit risk regarding receivables is managed based mainly on the current economic conditions, inherent risks, the financial position of the relevant customer and the past record.  
Investments in securities and other financial assets mainly comprise equity financial instruments, which are managed by constantly monitoring the fair value.  
Short-term debt and long-term debt are mainly used to fund business operations and capital expenditures.
2. Fair Value, etc. of Financial Instruments  
Information on the fair value of financial instruments as of March 31, 2021 is as follows. Financial instruments measured at fair value in the consolidated statements of financial position and financial instruments, whose carrying amounts and book value are approximately equal, are not included in the following table.

(Millions of yen)

	Carrying amounts	Fair Values
<u>Assets</u>		
Investments in securities and other financial assets		
Lease receivables	90,044	91,483
Debt securities	55,714	55,716
Long-term loans receivable	21,103	22,409
<u>Liabilities</u>		
Long-term debt [1]		
Bonds	365,959	367,537
Long-term debt	1,295,609	1,296,373

[1] Long-term debt is included in current portion of long-term debt and long-term debt in the consolidated statements of financial position.

The following methods and assumptions are used to measure the fair value of financial assets and liabilities.  
Cash and cash equivalents, Trade receivables, Short-term loans receivable, Other accounts receivable, Short-term debt, Other accounts payable and Trade payables

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

Investments in securities and other financial assets and Other financial liabilities

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

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

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

Derivative assets and 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 mainly uses the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

Long-term debt

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

(Note on Per Share Information)

Hitachi, Ltd. stockholders' equity per share	3,646.46yen
Net income from continuing operations, attributable to Hitachi, Ltd. stockholders per share	520.00 yen
Net loss from discontinued operations, attributable to Hitachi, Ltd. stockholders per share	(0.71) yen
Net income attributable to Hitachi, Ltd. stockholders per share	519.29 yen

(Notes on Major Subsequent Events)

Sale of all shares of Hitachi Metals, Ltd. (hereinafter "Hitachi Metals")

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

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

The consideration is expected to be approximately 382.0 billion yen.

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

(Other Notes)

1. Acquisition of ABB's power grids business

On December 17, 2018, the Company decided to acquire the power grid business of ABB Ltd (hereinafter "ABB") and signed an acquisition agreement with ABB in order to strengthen and expand energy solution business globally. Pursuant to this agreement, the Company invested 80.1% in Hitachi ABB Power Grids Ltd (hereinafter "Hitachi ABB Power Grid"), which was spun off from ABB, and the acquisition was completed on July 1, 2020. As a result, Hitachi ABB Power Grid became a subsidiary of the Company.

The fair value of the consideration paid for Hitachi ABB Power Grid was 722,062 million yen. The amounts of the assets acquired, liabilities assumed, goodwill and non-controlling interests recognized as of the acquisition date were 1,377,244 million yen, 1,024,910 million yen, 448,977 million yen and 79,249 million yen, respectively. The results of operations of Hitachi ABB Power Grid from the date of acquisition to March 31, 2021 (prior to elimination of intercompany transactions) included in the consolidated statement of profit or loss are Revenues of 722,351 million yen, EBIT of (32,233) million yen, and Net income of (27,507) million yen. EBIT and Net income include depreciation and amortization of 52,459 million yen on Other intangible assets and PP&E that were recognized as a result of this acquisition.

2. Acquisition of GlobalLogic Inc.

On March 31, 2021, the Company decided to acquire GlobalLogic Inc. (hereinafter "GlobalLogic"), a leading U.S.-headquartered digital engineering service company, in order to strengthen the digital portfolio of "Lumada." The acquisition is based on the definitive agreement among Hitachi Global Digital Holdings LLC (hereinafter "HGDH") which is a subsidiary located in the U.S., MergeCo H Global Inc. (hereinafter "SPC") which was established by HGDH for the acquisition and GlobalLogic Worldwide Holdings, Inc. (hereinafter "GlobalLogic Worldwide Holdings") which is the parent company of GlobalLogic. The transaction is subject to customary conditions and regulatory approvals and expected to be completed by the end of July 2021.

The total acquisition cost, including repayment of GlobalLogic's interest-bearing debt, is expected to be 9.6 billion U.S. dollars (approximately 1,036.8 billion yen). SPC will be merged with and into GlobalLogic Worldwide Holdings, which will be the surviving company. As a result, GlobalLogic Worldwide Holdings and GlobalLogic will become wholly owned subsidiaries of the Company.

## 6. Consolidated Statement of Comprehensive Income (Supplementary Information)

	Years ended March 31	
	2020	2021
	(Millions of yen)	
Net income	127,246	518,510
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(17,207)	69,362
Remeasurements of defined benefit plans	(8,396)	88,736
Share of OCI of investments accounted for using the equity method	(963)	2,151
Total items not to be reclassified into net income	(26,566)	160,249
Items that can be reclassified into net income		
Foreign currency translation adjustments	(111,323)	191,821
Net changes in cash flow hedges	13,173	5,346
Share of OCI of investments accounted for using the equity method	(13,609)	58,755
Total items that can be reclassified into net income	(111,759)	255,922
Other comprehensive income (OCI)	(138,325)	416,171
Comprehensive income	(11,079)	934,681
Comprehensive income attributable to:		
Hitachi, Ltd. stockholders	(8,465)	838,237
Non-controlling interests	(2,614)	96,444



## 7. Consolidated Statement of Cash Flows (Supplementary Information)

	Years ended March 31	
	2020	2021
	(Millions of yen)	
Cash flows from operating activities		
Net income	127,246	518,510
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	433,158	491,663
Impairment losses	136,993	109,009
Income taxes	51,244	325,247
Share of (profits) losses of investments accounted for using the equity method	(43,639)	(38,864)
Financial income and expenses	870	1,337
Net (gain) loss on business reorganization and others	(19,650)	(452,422)
(Gain) loss on sale of property, plant and equipment	(30,370)	(16,976)
Change in trade receivables and contract assets	185,935	89,722
Change in inventories	(143,072)	(47,937)
Change in trade payables	(115,086)	(31,811)
Change in accrued expenses	(47,575)	32,693
Change in retirement and severance benefits	(22,483)	(29,239)
Other	224,378	11,322
Subtotal	737,949	962,254
Interest received	23,607	21,648
Dividends received	13,362	20,560
Interest paid	(24,885)	(22,368)
Income taxes paid	(189,113)	(188,966)
Net cash provided by (used in) operating activities	560,920	793,128
Cash flows from investing activities		
Purchase of property, plant and equipment	(322,894)	(254,750)
Purchase of intangible assets	(98,382)	(118,195)
Proceeds from sale of property, plant and equipment, and intangible assets	82,539	83,483
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(237,172)	(861,035)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	57,624	682,408
Other	(7,541)	9,249
Net cash provided by (used in) investing activities	(525,826)	(458,840)
Free cash flows	35,094	334,288
Cash flows from financing activities		
Change in short-term debt, net	80,849	199,679
Proceeds from long-term debt	334,919	523,467
Payments on long-term debt	(279,446)	(230,488)
Proceeds from payments from non-controlling interests	5,004	5,190
Dividends paid to Hitachi, Ltd. stockholders	(91,699)	(96,611)
Dividends paid to non-controlling interests	(43,926)	(40,687)
Acquisition of common stock for treasury	(166)	(159)
Proceeds from sales of treasury stock	139	583
Purchase of shares of consolidated subsidiaries from non-controlling interests	(2,345)	(545,790)
Other	(492)	(22)
Net cash provided by (used in) financing activities	2,837	(184,838)
Effect of exchange rate changes on cash and cash equivalents	(33,193)	54,105
Change in cash and cash equivalents	4,738	203,555
Cash and cash equivalents at beginning of year	807,593	812,331
Cash and cash equivalents at end of year	812,331	1,015,886

## 8. Unconsolidated Statement of Changes in Net Assets (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Stockholders' equity								
	Common stock	Capital surplus			Retained earnings			Stockholders' equity	
		Capital reserve	Others	Total capital surplus	Others		Total retained earnings	Treasury stock	Total stockholders' equity
					Reserve for advanced depreciation of fixed assets	Retained earnings (losses) carried forward			
Balance at beginning of year	459,862	177,828	272,917	450,746	1,246	628,885	630,131	(3,809)	1,536,931
Change during year									
Issuance of new shares	928	928		928					1,856
Reversal of reserve for advanced depreciation of fixed assets					(113)	113	-		-
Distribution of surplus						(96,653)	(96,653)		(96,653)
Net income						705,511	705,511		705,511
Acquisition of treasury stock								(159)	(159)
Disposition of treasury stock			(94)	(94)				475	380
(Net) Change in items other than stockholders' equity during year									
Total change during year	928	928	(94)	833	(113)	608,970	608,857	316	610,933
Balance at end of year	460,790	178,756	272,823	451,579	1,133	1,237,855	1,238,988	(3,492)	2,147,865

	Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Unrealized holding gains on securities	Deferred profit or loss on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of year	29,763	10,291	(133)	39,921	2,204	1,579,058
Change during year						
Issuance of new shares						1,856
Reversal of reserve for advanced depreciation of fixed assets						-
Distribution of surplus						(96,653)
Net income						705,511
Acquisition of treasury stock						(159)
Disposition of treasury stock						380
(Net) Change in items other than stockholders' equity during year	61,122	(7,447)	135	53,810	(59)	53,750
Total change during year	61,122	(7,447)	135	53,810	(59)	664,684
Balance at end of year	90,885	2,843	2	93,732	2,144	2,243,742

## 9. Notes to Unconsolidated Financial Statements

(Notes on Important Accounting Policy)

1. Inventories

Finished goods, semi-finished goods and work in process: Stated at cost. Cost is determined by the specific identification method or the moving average method. (The figures shown in the Balance Sheet have been calculated in accordance with the write-down approach based on decline in profitability.)

Raw materials: Stated at cost. Cost is determined by the moving average method. (The figures shown in the Balance Sheet have been calculated in accordance with the write-down approach based on decline in profitability.)

2. Securities

Affiliated companies' common stock and investments in affiliated companies are stated at cost. Cost is determined by the moving average method.

Other securities which had readily determinable fair values are stated at fair value. The difference between acquisition cost and carrying cost of other securities is recognized in "Unrealized holding gains on securities." The cost of other securities sold is computed based on the moving average method.

Other securities which did not have readily determinable fair values are stated at cost determined by the moving average method.

3. Derivatives

Derivatives are stated at fair value.

4. Depreciation of tangible fixed assets (excluding lease assets)

Straight-line method.

5. Depreciation of intangible fixed assets (excluding lease assets)

Selling, leasing, or otherwise marketing software: Depreciated based on expected gross revenues ratably.

Other intangible fixed assets: Straight-line method.

6. Depreciation of lease assets

Financial leases other than those that are deemed to transfer the ownership of the leased property to the lessee: Depreciation is calculated by the straight-line method with no residual value, using the lease term as useful life. Of the financial leases other than those that are deemed to transfer the ownership of the leased property to the lessee, leases commencing on or before March 31, 2008 are accounted for based on accounting methods applied to ordinary lease transactions.

7. Allowances and Provisions

Allowance for doubtful receivables:

Estimated uncollectible amounts are accounted for based on loan loss ratios in the case of general receivables and based on case-by-case examination of collectability in the case of specific receivables including doubtful receivables.

Provision for product warranties:

In order to prepare for expenditures related to after-sales product services, estimated in-warranty service costs are accounted for based on past records.

Provision for loss on construction contracts:

In order to provide for losses relating to construction contracts and made-to-order software, an estimated loss for subsequent fiscal years is accounted for.

Accrued pension liability:

Accrued pension liability is provided for employees' retirement and severance benefits. Such liability is determined based on projected benefit obligation and expected plan assets as of the end of this fiscal year. The projected benefit obligation is determined by attributing the expected retirement and severance benefits to each year by the benefit formula basis.

Prior service cost is amortized by the straight-line method over the estimated average remaining service years of employees.

Unrecognized actuarial gain or loss is amortized by the straight-line method mainly over the estimated average remaining service years of employees from the next fiscal year.

Provision for retirement benefits for senior executives:

In order to provide for the payment of retirement benefits to senior executives, corporate officers, and the like, the Company accounted for the amount of payment required as of the end of this fiscal year according to the stipulations in the Company's internal rules.

Decisions were made at the Compensation Committee meetings held on December 18, 2007 and March 26, 2008 to abolish the retirement allowance system and to pay the retirement allowance for the applicable period to senior executives, corporate officers, and the like at the time of their retirement, subject to resolutions of the Compensation Committee following decisions on their retirement.

Provision for loss on business of affiliated companies:

In order to provide for losses relating to the business of affiliated companies, the amount the Company is expected to bear in excess of the amounts invested in and loaned to for such companies is accounted for.

8. Accounting standard for income and expenses  
Accounting standard for income on construction contracts and made-to-order software:  
Income is accounted for on the percentage of completion basis for progress made by the end of the relevant fiscal year, if said progress is deemed certain to yield results (as a general rule, the estimated percentage of progress is obtained by the cost-to-cost method). Income is accounted for on the completion basis in all other cases.
9. Consumption tax  
Consumption tax is accounted for based on the tax segregated method, under which consumption tax is excluded from presentation of revenues, cost of sales and expenses.
10. Hedge accounting  
Deferral hedge accounting is employed.
11. Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system  
As for items involving the transition from the consolidated taxation system to the group tax sharing system, which has been newly included in the 2020 tax reform, and related items under the single taxation system, which were revised accordingly, the Company recorded deferred tax assets and deferred tax liabilities on the basis of the provisions of the Corporation Tax Act of Japan in effect prior to the 2020 tax reform in accordance with Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No.39, March 31, 2020), which stipulates that the application of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) is not mandatory.

(Note on Change in Presentation)

From fiscal 2020, the Company adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020). Based on this statement, the Company indicates 'Notes on Accounting Estimates'.

(Notes on Accounting Estimates)

1. Valuation of affiliated companies' common stock and investments in affiliated companies
  - (1) Amounts recorded in the financial statements of this fiscal year  
The ending balance of Affiliated companies' common stock and investments in affiliated companies, without market value: 2,612,026 million yen
  - (2) Information that contributes to understanding of accounting estimates  
Affiliated companies' common stock without market value is evaluated by considering possibility of recovery based on the performance according to the business plan of those companies if the real value of the stock has declined significantly as compared to the purchase price. A part of affiliated companies' common stock is evaluated based on the real value which includes the excess earning power calculated by enterprise value measurement at the time of the acquisition of the company concerned. Necessity of impairing the excess earning power is determined by the possibility of achieving the future business plan.  
Business plans are estimated based on revenue growth rate and gross margin ratio, and other factors. In addition, this business plan reflects the decrease in demand in certain businesses in the short term due to the impact of the slowdown in the global economy caused by the spread of COVID-19.  
Significant changes in primary assumptions of the business plan could result in the real value being less than the purchase price.
2. Loss on impairment of Fixed Assets
  - (1) Amounts recorded in the financial statements of this fiscal year  
The ending balance of Tangible fixed assets: 216,678 million yen  
The ending balance of Intangible fixed assets (excluding selling, leasing, or otherwise marketing software): 68,673 million yen
  - (2) Information that contributes to understanding of accounting estimates  
This note is omitted as the same content is stated in '5. Property, plant and equipment, Goodwill and Other intangible assets' under 'Notes on Important Matters for Basis of Presentation of Consolidated Financial Statements' in the Notes to Consolidated Financial Statements.
3. Provision for loss on business of affiliated companies
  - (1) Amounts recorded in the financial statements of this fiscal year  
The ending balance of Provision for loss on business of affiliated companies: 129,884 million yen
  - (2) Information that contributes to understanding of accounting estimates  
This note is omitted as the same content is stated in '7. Allowances and Provisions' under 'Notes on Important Accounting Policy' in the Notes to Unconsolidated Financial Statements.
4. Provision for retirement benefits for senior executives
  - (1) Amounts recorded in the financial statements of this fiscal year  
The ending balance of Provision for retirement benefits for senior executives: 70,389 million yen
  - (2) Information that contributes to understanding of accounting estimates  
This note is omitted as the same content is stated in '7. Allowances and Provisions' under 'Notes on Important Accounting Policy' in the Notes to Unconsolidated Financial Statements and '2. Employee Retirement Benefits' under 'Notes on Accounting Estimates' in the Notes to Consolidated Financial Statements.

5. Provision for loss on construction contracts
  - (1) Amounts recorded in the financial statements of this fiscal year  
The ending balance of Provision for loss on construction contracts: 47,456 million yen
  - (2) Information that contributes to understanding of accounting estimates  
This note is omitted as the same content is stated in '7. Allowances and Provisions' under 'Notes on Important Accounting Policy' in the Notes to Unconsolidated Financial Statements and '3. Long-term projects' under 'Notes on Accounting Estimates' in the Notes to Consolidated Financial Statements.
6. Deferred tax assets
  - (1) Amounts recorded in the financial statements of this fiscal year  
The ending balance of Deferred tax assets: 64,621 million yen
  - (2) Information that contributes to understanding of accounting estimates  
This note is omitted as the same content is stated in '4. Deferred tax assets' under 'Notes on Accounting Estimates' in the Notes to Consolidated Financial Statements.

(Notes to Unconsolidated Balance Sheet)

1. Collateralized assets

(Millions of yen)

Type of asset	Year-end book value	Description
Affiliated companies' common stock	46	Collaterals for borrowings by affiliated companies
Investments in securities	8	Collaterals for borrowings by investees
Long-term loan receivables	51	Collaterals for borrowings by affiliated companies and investees
Total	105	

2. Accumulated depreciation of tangible fixed assets

Buildings	177,763 million yen
Structures	24,978 million yen
Machinery	88,730 million yen
Vehicles	862 million yen
Tools and equipment	146,361 million yen
Lease assets	4,730 million yen

3. Land revaluation

Effective on April 1, 2016, the Company succeeded "Revaluation reserve for land" of Hitachi Medical Corporation in conjunction with the absorption-type company split. As of March 31, 1998, in accordance with the "Act on Revaluation of Land" (Act No.34, promulgated on March 31, 1998), land owned by Hitachi Medical Corporation for business use was revalued. The unrealized gains on the revaluation were included in net assets as "Revaluation reserve for land", net of deferred taxes. The deferred taxes on the unrealized gains were included in liabilities as "Deferred tax liabilities for land revaluation".

(1) Method of revaluation

The fair value of land was determined based on the assessed value of fixed assets stipulated in Article 2-3 of the Ordinance Implementing the Act on Revaluation of Land (Article 119 of 1998 Cabinet Order, promulgated on March 31, 1998). Reasonable adjustments are made to the assessed value of fixed assets.

(2) Date of revaluation March 31, 2002

(3) Difference between the fair value of land subject to the revaluation and the book value as of March 31, 2021 (4) million yen

#### 4 Guarantees

The Company guarantees borrowings from financial institutions, etc. as follows.

(Millions of yen)

Guarantee	Year-end balance
Hitachi ABB Power Grids Ltd	309,244
Hitachi Rail STS S.p.A.	148,667
Hitachi Rail S.p.A.	133,615
Hitachi America Capital, Ltd.	55,355
Hitachi International (Holland) B.V.	32,450
Hitachi International Treasury Ltd.	16,052
ABB Power Grids Switzerland AG	3,339
Kawasaki Heavy Industries, Ltd.	1,600
ABB Power Grids Canada Inc.	1,583
Other	1,236
Total	703,145

In addition to the foregoing, the Company has entered into an agreement with each of the following overseas affiliated companies on maintaining their finances in a sound condition, etc., mainly to enhance their credit in order to support their financing activities:

Hitachi America Capital, Ltd., Hitachi International (Holland) B.V., Hitachi International Treasury Ltd., Hitachi (China) Finance Co., Ltd. and Hitachi Power Europe GmbH

- |                                                     |                     |
|-----------------------------------------------------|---------------------|
| 5. Short-term receivables from affiliated companies | 360,850 million yen |
| Long-term receivables from affiliated companies     | 404,336 million yen |
| Short-term payables to affiliated companies         | 816,460 million yen |
| Long-term payables to affiliated companies          | 2,883 million yen   |

(Notes to Unconsolidated Statement of Operations)

##### 1. Compensation income

Compensation income of 33,398 million yen is a compensation received from Honda Motor Co., Ltd. in accordance with a basic agreement regarding management integration of subsidiaries, concluded on October 30, 2019 between the Company and Honda Motor Co., Ltd.

##### 2. Loss on impairment of assets

(1) Summary of the assets or asset groups for which impairment loss was recognized

Classification	Description	Category	Location
Assets to be held and used	Software relating to service business for financial institutions	Software	-
Idle assets	-	Tool and equipment, etc.	Hitachi, Ibaraki

(2) Reason to recognize impairment loss

The Company recognized the impairment loss for assets to be held and used since amounts invested in the above assets are expected to be irrecoverable due to decline in their profitability. The Company also recognized the impairment loss for idle assets since they are expected to have no future use and the capital invested thereon is unlikely to be recovered mainly due to the changes in the business plan.

(3) Amounts of impairment loss

Buildings	268 million yen
Structures	260 million yen
Machinery	695 million yen
Tool and equipment	750 million yen
Software	6,652 million yen
Others	61 million yen
Total	8,688 million yen

(4) Method of grouping assets

Although the grouping of assets is principally based on business divisions or places of business, some assets and asset groups are grouped as a separate unit that generates cash flows independently of other asset groups.

(5) Calculation of recoverable amounts

For assets to be held and used, calculation is based on the higher of net sales price and value in use, and net sales price is calculated by deducting the estimated cost of disposal from real estate appraisal value. Idle assets, as these are considered not to be recoverable, their book values were reduced to their memorandum values.



3. Sales to affiliated companies	426,234 million yen
Purchases from affiliated companies	819,383 million yen
Non-operating transactions with affiliated companies	59,931 million yen

(Note to Unconsolidated Statement of Changes in Net Assets)  
Matters related to Class and Number of Treasury Stock

(Shares)

Class	Number of shares			
	At beginning of year	Increase during year	Decrease during year	At end of year
Common stock	1,050,741	136,523	131,465	1,055,799

(Summary of Reason for Change)

The increase during this fiscal year by 136,523 shares is due to the acquisition of 97,000 shares without consideration in accordance with the restricted stock compensation plan, and the purchase of 39,523 shares from less-than-one unit shareholders at their request. The decrease during this fiscal year by 131,465 shares is due to the disposition of 126,560 shares as a result of the exercise of stock acquisition rights, and the sale of 4,905 shares to less-than-one unit shareholders at their request.

(Note on Accounting for Deferred Taxes)

The major causes of deferred tax assets were accrued pension liability and accrued bonuses to employees.

(Note on Leased Fixed Assets)

In addition to the capitalized fixed assets, as significant equipment, the Company utilizes cogeneration facilities under lease arrangements.

(Note on Transactions with Related Parties)

(Millions of yen)

Attribute	Name of company etc.	% of voting rights held	Relationship with the related parties	Description of transaction	Transaction amount	Classification	Year-end balance
Subsidiary	Hitachi America, Ltd.	Direct: 100.0%	Sale of the Company's products*	In-kind contribution (Note 1)	160,197	-	-
Subsidiary	Hitachi Astemo, Ltd.	Direct: 66.6%	Manufacturing of the Company's products *	Underwriting of capital increase	77,222	-	-
				Loan (Note 2)	44,329	Short-term loan receivables	57,764
				Loan (Note 2)	(9,000)	Long-term loan receivables	51,500
Subsidiary	Hitachi America Capital, Ltd.	Indirect: 100.0%	*	Loan (Note 3)	(119,713)	Short-term loan receivables	-
				Guarantee	55,355	-	-
Subsidiary	Hitachi Rail Ltd.	Direct: 100.0%	Manufacturing, sale, engineering and maintenance of the Group's products *	Loan (Note 3)	(78,305)	Short-term loan receivables	-
Subsidiary	ABB Power Grids Finance AG	Indirect: 80.1%	Loans	Loan (Note 3)	332,130	Long-term loan receivables	332,130
Subsidiary	Hitachi High-Tech Corporation	Direct: 100.0%	Sale of the Company's products, etc.	Deposit received (Note 2)	(116,682)	Deposit received	78,496
Subsidiary	Hitachi Global Life Solutions, Inc.	Direct: 100.0%	Manufacturing, sale and maintenance of the Group's products *	Deposit received (Note 2)	50,068	Deposit received	63,515
Subsidiary	Hitachi Systems, Ltd.	Direct: 100.0%	Outsourcing of the Company's software development, outsourcing of maintenance of the Company's telecommunications equipment *	Deposit received (Note 2)	5,285	Deposit received	63,359
Subsidiary	Hitachi Solutions, Ltd.	Direct: 100.0%	Outsourcing of the Company's information systems and software development *	Deposit received (Note 2)	6,969	Deposit received	54,449



(Millions of yen)

Attribute	Name of company etc.	% of voting rights held	Relationship with the related parties	Description of transaction	Transaction amount	Classification	Year-end balance
Subsidiary	Hitachi Metals, Ltd.	Direct: 53.4%	Purchase of Hitachi Metals' products *	Deposit received (Note 2)	51,190	Deposit received	51,190
Subsidiary	Hitachi ABB Power Grids Ltd	Direct: 80.1%	*	Guarantee	309,244	-	-
Subsidiary	Hitachi Rail STS S.p.A.	Indirect: 100.0%	Manufacturing, sale, engineering and maintenance of the Group's products, etc.	Guarantee	148,667	-	-
Subsidiary	Hitachi Rail S.p.A.	Indirect: 100.0%	Manufacturing, sale, engineering and maintenance of the Group's products *	Guarantee	133,615	-	-

\* The Company's Directors, Executive Officers or employees concurrently hold position of directors or officers at the subsidiary and the affiliate.

Notes: 1. The shares of Hitachi America, Ltd. were acquired in exchange for the in-kind contribution of the shares of Hitachi Global Digital Holdings Corporation and Hitachi Particle Engineering and Services Inc.

Hitachi Global Digital Holdings Corporation changed its company name to Hitachi Global Digital Holdings LLC on April 1, 2021.

2. These are loans or deposits made based on the pooling system wherein the funds of affiliated companies are concentrated at the Company to be loaned to affiliated companies who have financing needs. The interest rates on loans and deposits are determined with due consideration to market interest rates. The transaction amount indicates the increase or decrease from the balance at the beginning of the fiscal year, including interest received and paid.

3. The interest rate was determined with due consideration to market interest rates. The transaction amount of the loans indicates the change from the balance at the beginning of the fiscal year.

(Note on Per Share Information)

Net assets per share 2,318.50 yen  
Net income per share 729.77 yen

(Note on Major Subsequent Events)

Exchange of shares

On April 1, 2021, the absorption-type merger between Mitsubishi UFJ Lease & Finance Co., Ltd. (hereinafter "Mitsubishi UFJ Lease") as a surviving company and Hitachi Capital Corporation (hereinafter "Hitachi Capital") as a merged company was conducted, and the Company received 5.10 shares of Mitsubishi UFJ Lease's common stock for one share of Hitachi Capital's common stock held by the Company and revaluated the shares at the market price as of the same date.

As a result, the Company plans to post an extraordinary gain of approximately 121.8 billion yen in gain on valuation of securities in the unconsolidated statement of operations for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022). Mitsubishi UFJ Lease changed its name to Mitsubishi HC Capital Inc. as of April 1, 2021.

Transfer of subsidiary's shares

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

(i) Tender Offeror will launch a tender offer (hereinafter "Tender Offer") for Hitachi Metals Shares, when conditions for the commencement of Tender Offer are satisfied, and the Company will not apply for Tender Offer with regard to all of the Hitachi Metals Shares held by the Company (hereinafter "Shares to Be Sold by the Company").

(ii) In the event Tender Offer is enacted and Tender Offeror is unable to acquire all of the Hitachi Metals Shares (excluding treasury stock held by Hitachi Metals, Ltd. (hereinafter "Hitachi Metals") and Shares to Be Sold by the Company) in Tender Offer, Tender Offeror and the Company will request convening of a general meeting of shareholders on the matter of items required for implementation of share consolidation (hereinafter "Share Consolidation") on Hitachi Metals and exercise approval right for the proposal.

(iii) As promptly as practically possible after Tender Offeror and the Company become holders of all shares of Hitachi Metals (excluding treasury stock held by Hitachi Metals) as a result of Share Consolidation, capital reduction and other measures (hereinafter "Capital Reduction") will be performed for Hitachi Metals in order to secure distributable amount required for acquisition of treasury stock by Hitachi Metals (hereinafter "Share Repurchase").

(iv) Immediately after Capital Reduction takes effect, Shares to Be Sold by the Company will be transferred to Hitachi Metals as a result of Share Repurchase.

The consideration is expected to be approximately 382.0 billion yen.

Assuming the transaction is settled, it is expected that the Company will transfer Shares to Be Sold by the Company. As a result, the Company plans to post an extraordinary gain of approximately 328.0 billion yen in gain on sale of affiliated companies' common stock in the unconsolidated statement of operations for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022).

(Additional Information)

Acquisition of shares

On March 31, 2021, the Company decided to acquire GlobalLogic Inc. (hereinafter “GlobalLogic”), a leading U.S.-headquartered digital engineering service company, in order to strengthen the digital portfolio of “Lumada.” The acquisition is based on the definitive agreement among Hitachi Global Digital Holdings LLC (hereinafter “HGDH”) which is a subsidiary located in the U.S., MergeCo H Global Inc. (hereinafter “SPC”) which was established by HGDH for the acquisition and GlobalLogic Worldwide Holdings, Inc. (hereinafter “GlobalLogic Worldwide Holdings”) which is the parent company of GlobalLogic. The transaction is subject to customary conditions and regulatory approvals and expected to be completed by the end of July 2021.

The total acquisition cost, including repayment of GlobalLogic’s interest-bearing debt, is expected to be 9.6 billion U.S. dollars (approximately 1,036.8 billion yen). SPC will be merged with and into GlobalLogic Worldwide Holdings, which will be the surviving company. As a result, GlobalLogic Worldwide Holdings and GlobalLogic will become wholly owned subsidiaries of the Company.

## 10. Transcript of Accounting Auditors' Audit Report on Consolidated Financial Statements

### REPORT OF INDEPENDENT AUDITORS

May 10, 2021

Mr. Toshiaki Higashihara, President & CEO

Hitachi, Ltd.

Ernst & Young ShinNihon LLC  
Tokyo Office, Japan

Takashi Ouchida  
Designated Engagement Partner  
Certified Public Accountant

Koji Fujima  
Designated Engagement Partner  
Certified Public Accountant

Takuya Tanaka  
Designated Engagement Partner  
Certified Public Accountant

Shinya Yoshida  
Designated Engagement Partner  
Certified Public Accountant

#### Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity, and the notes to the consolidated financial statements of Hitachi, Ltd. and its consolidated subsidiaries (the Group) applicable to the fiscal year from April 1, 2020 to March 31, 2021.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the Group applicable to the fiscal year ended March 31, 2021, in accordance with International Financial Reporting Standards with certain disclosure items omitted pursuant to the second sentence of Article 120, Paragraph 1 of the Regulation on Corporate Accounting.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards with certain disclosure items omitted pursuant to the second sentence of Article 120, Paragraph 1 of the Regulation on Corporate Accounting, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by International Financial Reporting Standards with certain disclosure items omitted pursuant to the second sentence of Article 120, Paragraph 1 of the Regulation on Corporate Accounting, matters related to going concern.

Audit Committee is responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with International Financial Reporting Standards with certain disclosure items omitted pursuant to the second sentence of Article 120, Paragraph 1 of the Regulation on Corporate Accounting.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the consolidated financial statements of the Company, prepared in Japanese, for the fiscal year ended March 31, 2021. Ernst & Young ShinNihon LLC has not audited the English language version of the consolidated financial statements for the above-mentioned year.