

Consolidated Statement of Cash Flows

Years ended March 31, 2019 and 2018

| | Millions of yen | |
|--|-----------------|-----------|
| | 2018 | 2019 |
| Cash flows from operating activities | | |
| Net income | ¥ 490,918 | ¥ 321,022 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 364,432 | 368,044 |
| Impairment losses | 48,656 | 344,997 |
| Income taxes | 131,659 | 183,699 |
| Share of (profits) losses of investments accounted for using the equity method | (62,483) | 15,016 |
| Financial income and expenses | (862) | (6,387) |
| Net (gain) loss on business reorganization and others | (9,774) | (184,630) |
| (Gain) loss on sale of property, plant and equipment | 2,395 | (18,966) |
| Change in trade receivables | 47,216 | — |
| Change in trade receivables and contract assets | — | 1,793 |
| Change in inventories | (181,207) | (149,500) |
| Change in other assets | (17,321) | (13,419) |
| Change in trade payables | 97,923 | (16,107) |
| Change in retirement and severance benefits | (40,137) | (38,461) |
| Change in other liabilities | 44,320 | (35,257) |
| Other | (7,743) | 3,925 |
| Subtotal | 907,992 | 775,769 |
| Interest received | 9,767 | 22,343 |
| Dividends received | 17,902 | 22,710 |
| Interest paid | (21,582) | (22,530) |
| Income taxes paid | (186,911) | (188,267) |
| Net cash provided by (used in) operating activities | 727,168 | 610,025 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (352,047) | (382,351) |
| Purchase of intangible assets | (91,528) | (89,898) |
| Proceeds from sale of property, plant and equipment, and intangible assets | 37,076 | 61,623 |
| Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) | (243,124) | (72,422) |
| Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) | 178,188 | 306,971 |
| Other | (2,893) | 13,205 |
| Net cash provided by (used in) investing activities | (474,328) | (162,872) |
| Free cash flows | 252,840 | 447,153 |
| Cash flows from financing activities | | |
| Change in short-term debt, net | (104,819) | 3,706 |
| Proceeds from long-term debt | 143,354 | 87,636 |
| Payments on long-term debt | (256,944) | (133,581) |
| Proceeds from payments from non-controlling interests | 3,953 | 5,149 |
| Dividends paid to Hitachi, Ltd. stockholders | (67,568) | (77,194) |
| Dividends paid to non-controlling interests | (32,066) | (43,375) |
| Acquisition of common stock for treasury | (292) | (231) |
| Proceeds from sales of treasury stock | 49 | 211 |
| Purchase of shares of consolidated subsidiaries from non-controlling interests | (6,982) | (162,692) |
| Proceeds from partial sales of shares of consolidated subsidiaries to non-controlling interests | 205 | — |
| Other | (344) | (55) |
| Net cash provided by (used in) financing activities | (321,454) | (320,426) |
| Effect of exchange rate changes on cash and cash equivalents | 1,336 | (17,098) |
| Change in cash and cash equivalents | (67,278) | 109,629 |
| Cash and cash equivalents at beginning of year | 765,242 | 697,964 |
| Cash and cash equivalents at end of year | ¥ 697,964 | ¥ 807,593 |

Notes: 1 From the fiscal year ended March 31, 2019, the consolidated statement items were presented in detail.

2 Changes in presentation have been made due to materiality of some cash-flow items as a result of business reorganization and others. "Purchase of leased assets", which was separately presented, has been included in "Purchase of property, plant and equipment" or "Purchase of intangible assets". "Proceeds from sale of leased assets", which were separately presented, have been included in "Proceeds from sale of property, plant and equipment, and intangible assets".

The consolidated statement of cash flows for the year ended March 31, 2018 has been reclassified in order to reflect these changes in presentation.