

[Translation]

Quarterly Report

(The Second Quarter of 154th Business Term)

From July 1, 2022 to September 30, 2022

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

Hitachi, Ltd.

[Cover]

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This is an English translation of the Quarterly Report filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors’ NETwork (“EDINET”) pursuant to the Financial Instruments and Exchange Act of Japan.

The translation of the Confirmation Letter for the original Quarterly Report is included at the end of this document.

Unless the context indicates otherwise, the term “Company” refers to Hitachi, Ltd. and the term “Hitachi” refers to the Company and its consolidated subsidiaries.

Unless otherwise stated, in this document, where we present information in millions or hundreds of millions of yen, we have truncated amounts of less than one million or one hundred million, as the case may be. Accordingly, the total of figures presented in columns or otherwise may not equal the total of the individual items. We have rounded all percentages to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be.

References in this document to the “Financial Instruments and Exchange Act” are to the Financial Instruments and Exchange Act of Japan and other laws and regulations amending and/or supplementing the Financial Instruments and Exchange Act of Japan.

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Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

	Six months ended September 30, 2021	Six months ended September 30, 2022	Year ended March 31, 2022
Revenues	4,832,665 [2,465,228]	5,416,779 [2,846,963]	10,264,602
Income before income taxes	420,107	282,145	839,333
Net income attributable to Hitachi, Ltd. stockholders	322,444 [200,213]	172,515 [135,357]	583,470
Comprehensive income attributable to Hitachi, Ltd. stockholders	366,183	681,216	958,008
Total Hitachi, Ltd. stockholders' equity	3,824,891	4,851,087	4,341,836
Total equity	4,750,232	5,518,818	5,355,277
Total assets	12,879,522	13,617,345	13,887,502
Earnings per share attributable to Hitachi, Ltd. stockholders, basic (yen)	333.67 [207.17]	180.01 [142.17]	603.75
Earnings per share attributable to Hitachi, Ltd. stockholders, diluted (yen)	333.24	179.83	602.96
Total Hitachi, Ltd. stockholders' equity ratio (%)	29.7	35.6	31.3
Net cash provided by (used in) operating activities	161,468	233,652	729,943
Net cash provided by (used in) investing activities	(951,429)	(72,339)	(1,048,866)
Net cash provided by (used in) financing activities	646,539	(338,473)	202,739
Cash and cash equivalents at end of period	880,966	866,016	968,827

(Notes) 1. Hitachi's consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

2. The figures of "Revenues," "Net income attributable to Hitachi, Ltd. stockholders" and "Earnings per share attributable to Hitachi, Ltd. stockholders, basic" in square bracket are those for the three months ended September 30, 2021 and 2022, respectively.

2. Description of Business

There were no material changes in principal businesses of Hitachi during the six months ended September 30, 2022. The Hitachi Group is comprised of the Company, 770 consolidated subsidiaries, and 368 equity-method associates and joint-ventures.

Effective from April 1, 2022, the Company reclassified its reportable segments in seven segments: three sectors as “Digital Systems & Services,” “Green Energy & Mobility” and “Connective Industries,” Automotive Systems, two listed subsidiary groups as Hitachi Construction Machinery and Hitachi Metals, and Others.

Major business and the positioning of principal affiliated companies for each segment and changes in Business Unit (BU) of the Company and principal affiliated companies during the six months ended September 30, 2022 were as follows.

(As of September 30, 2022)

Main products and services	BU and principal affiliated companies	
	BU	Affiliated companies
<u>Digital Systems & Services</u> Digital Solutions (System Integration, Consulting, Cloud Services), IT Products (Storage, Servers), Software, ATMs	Financial Institutions BU Social Infrastructure Systems BU Services & Platforms BU	[Consolidated subsidiaries] Hitachi Information & Telecommunication Engineering, Ltd. Hitachi Channel Solutions, Corp. Hitachi Solutions, Ltd. Hitachi Systems, Ltd. GlobalLogic Worldwide Holdings, Inc. Hitachi Computer Products (America), Inc. Hitachi Digital LLC (Note 2) Hitachi Payment Services Private Limited Hitachi Vantara LLC
<u>Green Energy & Mobility</u> Energy Solutions (Power Grids, Renewable Energy, Nuclear), Railway Systems	Power Grids BU Energy BU Nuclear Energy BU Railway Systems BU	[Consolidated subsidiaries] Hitachi-GE Nuclear Energy, Ltd. Hitachi Plant Construction, Ltd. Hitachi Power Semiconductor Device, Ltd. Hitachi Power Solutions Co., Ltd. Hitachi Energy Ltd Hitachi Rail Ltd.
<u>Connective Industries</u> Building Systems (Elevators, Escalators), Smart Life & Ecofriendly Systems (Home Appliances, Air Conditioners), Measurement and Analytical Systems (Medical and Bio, Semiconductor, Industry), Industry & Distribution Solutions, Water & Environment Solutions, Industrial Machinery	Building Systems BU Industrial Digital BU Water & Environment BU	[Consolidated subsidiaries] Hitachi Building Systems Co., Ltd. Hitachi Global Life Solutions, Inc. Hitachi High-Tech Corporation Hitachi Industrial Equipment Systems Co., Ltd. Hitachi Industrial Products, Ltd. Hitachi Industry & Control Solutions, Ltd. Hitachi Plant Services Co., Ltd. Hitachi Elevator (China) Co., Ltd. Hitachi Industrial Holdings Americas, Inc. JR Technology Group, LLC Sullair, LLC [Equity-method associates] Hitachi Kokusai Electric Inc. Arcelik Hitachi Home Appliances B.V. Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd
<u>Automotive Systems</u> Powertrain, Chassis, Advanced Driver Assistance, Motorcycle Systems	—	[Consolidated subsidiaries] Hitachi Astemo, Ltd. Hitachi Astemo Americas, Inc.
<u>Hitachi Construction Machinery</u> Hydraulic Excavators, Wheel Loaders, Mining Machinery, Maintenance and Services, Construction Solutions, Mine Management Systems	—	[Consolidated subsidiaries] — (Note 3)
<u>Hitachi Metals</u> Specialty Steel Products, Functional Components and Equipment, Magnetic Materials and Power Electronics Materials, Wires, Cables and Related Products	—	[Consolidated subsidiaries] Hitachi Metals, Ltd.
<u>Others</u> Optical Disk Drives, Property Management	—	[Consolidated subsidiaries] Hitachi-LG Data Storage, Inc. Hitachi Real Estate Partners, Ltd. Hitachi America, Ltd. Hitachi Asia Ltd. Hitachi (China), Ltd. Hitachi Europe Ltd. Hitachi India Pvt. Ltd.

- (Notes)
1. Hitachi America, Ltd., Hitachi Asia Ltd., Hitachi (China), Ltd., Hitachi Europe Ltd. and Hitachi India Pvt. Ltd. are the Hitachi Group's regional supervising company for Americas, Asia, China, Europe and India, and they sell the Hitachi Group's products.
 2. Hitachi Global Digital Holdings LLC changed its name to Hitachi Digital LLC on April 1, 2022.
 3. Hitachi Construction Machinery Co., Ltd. has ceased to be a consolidated subsidiary of the Company and become an equity-method associate of the Company as a result of transfer of a part of its shares in Hitachi Construction Machinery Co., Ltd. on August 23, 2022. Consequently, there is no company which belongs to the Hitachi Construction Machinery segment since then.
 4. In addition to the table above, the major equity-method associates are Hitachi Construction Machinery Co., Ltd. and Hitachi Transport System, Ltd.

II. Business Overview

1. Risk Factors

There were no new risk factors recognized during the six months ended September 30, 2022.

There were no material changes in the risk factors stated in the Annual Securities Report for the 153rd business term pursuant to the Financial Instruments and Exchange Act of Japan.

2. Management's Discussion and Analysis of Consolidated Financial Condition, Results of Operations and Cash Flows

(1) Analysis of Results of Operations

Results of Operations

The results of operations in the six months ended September 30, 2022 were as follows.

Revenues increased 12% to 5,416.7 billion yen, as compared with the six months ended September 30, 2021, due mainly to the impact of foreign exchange and the recovery trend of market conditions, as well as increased revenues resulting from the acquisition of GlobalLogic Inc. ("GlobalLogic").

Cost of sales increased 12% to 4,101.5 billion yen, as compared with the six months ended September 30, 2021, and the ratio of cost of sales to revenues came to 76%, which was the same level as for the six months ended September 30, 2021. Gross profit increased 11% to 1,315.2 billion yen, as compared with the six months ended September 30, 2021.

Selling, general and administrative expenses ("SG&A") increased 13% to 990.5 billion yen and the ratio of SG&A to revenues came to 18%, which was the same level as for the six months ended September 30, 2021, respectively.

Adjusted operating income (presented as revenues less cost of sales as well as SG&A) increased 14.5 billion yen to 324.6 billion yen, as compared with the six months ended September 30, 2021, due mainly to the increased revenues.

Share of profits of investments accounted for using the equity method increased 3.2 billion yen to 26.6 billion yen, as compared with the six months ended September 30, 2021.

As a result of foregoing, adjusted EBITA (defined as Adjusted Earnings before Interest, Taxes and Amortization, and representing the operating income, adding back the amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting share of profits (losses) of investments accounted for using the equity method) increased 20.6 billion yen to 393.0 billion yen, as compared with the six months ended September 30, 2021.

Other income decreased 30.6 billion yen to 74.5 billion yen, as compared with the six months ended September 30, 2021, due mainly to the gains on business reorganization and others posted in the six months ended September 30, 2021 by selling a part of shares of Arcelik Hitachi Home Appliances B.V. and a part of shares of Agility Trains (East) Holdings Limited, Ltd. The decrease was partially offset by the gains on business reorganization and others as a result of deconsolidation of Hitachi Construction Machinery Co., Ltd. Other expenses increased 113.2 billion yen to 134.4 billion yen, as compared with the six months ended September 30, 2021, due mainly to expenses posted by shifting to risk-sharing corporate pension and the impairment losses on goodwill of Hitachi Energy owing to the rise in discount rate following the significant rise in interest rates, etc.

Financial income (excluding interest income) increased 2.1 billion yen to 11.4 billion yen, and financial expenses (excluding interest charges) increased 9.2 billion yen to 10.5 billion yen, as compared with the six months ended September 30, 2021, respectively.

Interest income increased 3.6 billion yen to 11.3 billion yen and interest charges increased 8.4 billion yen to 21.4 billion yen, as compared with the six months ended September 30, 2021, respectively.

Income before income taxes decreased 137.9 billion yen to 282.1 billion yen, as compared with the six months ended September 30, 2021.

Income taxes increased 25.6 billion yen to 81.2 billion yen, as compared with the six months ended September 30, 2021.

Net income decreased 163.5 billion to 200.8 billion yen, as compared with the six months ended September 30, 2021.

Net income attributable to non-controlling interests decreased 13.6 billion yen to 28.3 billion yen, as compared with the six months ended September 30, 2021.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders decreased 149.9 billion yen to 172.5 billion yen, as compared with the six months ended September 30, 2021.

Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions. Effective from April 1, 2022, the company reclassified its reportable segment in seven segments: Digital Systems & Services, Green Energy & Mobility, Connective Industries, Automotive systems, Hitachi Construction Machinery, Hitachi Metals and Others. Accordingly, the amounts previously reported for the six months ended September 30, 2021 have been restated in conformity with the new segments.

(Digital Systems & Services)

Revenues increased 13% to 1,099.8 billion yen, as compared with the six months ended September 30, 2021, due mainly to the growth of Lumada business and strong results in GlobalLogic as well as the impact of foreign exchange.

Adjusted EBITA increased 0.4 billion yen to 117.4 billion yen, as compared with the six months ended September 30, 2021, due mainly to increased revenues in Lumada business and GlobalLogic, despite cost increase in a certain project and decreased profits due to promoting growth investment to expand business.

(Green Energy & Mobility)

Revenues increased 13% to 1,071.5 billion yen, as compared with the six months ended September 30, 2021, due mainly to the impact of foreign exchange and strong results in Hitachi Energy and Railway Systems business.

Adjusted EBITA increased 13.9 billion yen to 45.8 billion yen, as compared with the six months ended September 30, 2021, due mainly to increased revenues and improved profitability in Railway Systems business, despite decreased profits due to cost increase in a certain project in Energy business.

(Connective Industries)

Revenues increased 7% to 1,427.7 billion yen, as compared with the six months ended September 30, 2021, due mainly to the impact of foreign exchange and strong results in Measurement and Analytical Systems business and Building Systems business. The increase was partially offset by decreased revenues in Smart Life & Ecofriendly Systems business resulting from the impact of selling of overseas home appliance business, and municipal lockdowns in China due to the spread of COVID-19.

Adjusted EBITA increased 30.0 billion yen to 149.1 billion yen, as compared with the six months ended September 30, 2021, due mainly to increased revenues.

(Automotive Systems)

Revenues increased 17% to 884.0 billion yen, as compared with the six months ended September 30, 2021, due mainly to the impact of foreign exchange.

Adjusted EBITA decreased 12.3 billion yen to 11.8 billion yen, as compared with the six months ended September 30, 2021, due mainly to the impact of decrease in operation rate resulting from municipal lockdowns in China in the three months ended June 30, 2022 and soaring material prices, despite increased revenues.

(Hitachi Construction Machinery)

Revenues were 475.1 billion yen, which was the same level as for the six months ended September 30, 2021, despite increased revenues due mainly to the impact of foreign exchange and increase in sales volume of new machines for mining, and parts and services. The increase was partially offset by conversion of Hitachi Construction Machinery Co., Ltd., which was included in Hitachi Construction Machinery segment, to an equity-method affiliate of the Company as a result of selling a part of shares of Hitachi Construction Machinery Co., Ltd. in August 2022.

Adjusted EBITA were 43.2 billion yen, which was the same level as for the six months ended September 30, 2021, due mainly to decreased demand in China and other markets, the impact of price adjustment in the Americas market posted in the six months ended September 30, 2021, cost increase mainly in steel prices, and the impact of selling a part of shares of Hitachi Construction Machinery Co., Ltd. as described above, despite the factors increasing profits resulting from increased revenues.

(Hitachi Metals)

Revenues increased 25% to 568.7 billion yen, as compared with the six months ended September 30, 2021, due mainly to the sliding-scale system by soaring material prices and the impact of foreign exchange.

Adjusted EBITA increased 10.5 billion yen to 27.6 billion yen, as compared with the six months ended September 30, 2021, due mainly to improved profitability owing to cost reduction measures.

(Others)

Revenues increased 3% to 224.6 billion yen, as compared with the six months ended September 30, 2021. Adjusted EBITA decreased 5.1 billion to 6.8 billion yen, as compared with the six months ended September 30, 2021, respectively.

Revenues by Market

Revenues in Japan were 1,902.9 billion yen, which was the same level as for the six months ended September 30, 2021, despite increased revenues mainly in Hitachi Metals and Industrial Digital business. The increase was partially offset by conversion of Hitachi Construction Machinery Co., Ltd. to an equity-method affiliate of the Company.

Overseas revenues increased 20% to 3,513.8 billion yen, as compared with the six months ended September 30, 2021, due mainly to the impact of foreign exchange, and increased revenues in the Automotive Systems segment resulting from increase in orders received by the recovery of production in certain automakers, and in Digital Systems & Services sector resulting from the acquisition of GlobalLogic, as well as in Green Energy & Mobility sector resulting from the strong results in Hitachi Energy and Railway Systems business. As a result, the ratio of overseas revenues to total revenues increased 5% to 65%, as compared with the six months ended September 30, 2021.

(2) Analysis of Financial Condition and Cash Flows

Liquidity and Capital Resources

During the six months ended September 30, 2022, there were no major changes in the Company's policies of maintaining liquidity and ensuring funds, efforts for improvement in fund management efficiency, and ideas regarding funding sources and fundraising.

Cash Flows

(Cash Flows from Operating Activities)

Net cash inflow from a change in trade receivables and contract assets in the the six months ended September 30, 2022 decreased by 32.8 billion yen, as compared with the six months ended September 30, 2021. Net cash outflow from a change in inventories increased by 19.8 billion yen, as compared with the six months ended September 30, 2021. Furthermore, net cash outflow from a change in trade payables increased by 25.9 billion yen, as compared with the six months ended September 30, 2021. However, income tax payment decreased by 72.2 billion yen, as compared with the six months ended September 30, 2021.

As a result of the foregoing, net cash provided by operating activities was 233.6 billion yen in the the six months ended September 30, 2022, an increase of 72.1 billion yen compared with the six months ended September 30, 2021.

(Cash Flows from Investing Activities)

Net amount of investments related to property, plant and equipment* was 163.7 billion yen in the the six months ended September 30, 2022 and this net sum decreased by 5.7 billion yen, as compared with the six months ended September 30, 2021. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the six months ended September 30, 2022 decreased by 890.9 billion yen, as compared with the six months ended September 30, 2021, due mainly to the purchase of shares of GlobalLogic Worldwide Holdings, Inc. in the six months ended September 30, 2021. Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the six months ended September 30, 2022 increased by 21.0 billion yen, as compared with the six months ended September 30, 2021, due mainly to the sale of shares of Hitachi Construction Machinery Co., Ltd.

As a result of the foregoing, net cash used in investing activities was 72.3 billion yen in the six months ended September 30, 2022, a decrease of 879.0 billion yen compared with the six months ended September 30, 2021.

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

(Cash Flows from Financing Activities)

Net cash outflow related to long-term debt** in the six months ended September 30, 2022 decreased by 64.5 billion yen, as compared with the six months ended September 30, 2021. However, net cash inflow from a change in short-term debt in the six months ended September 30, 2022 decreased by 883.0 billion yen, as compared with the six months ended September 30, 2021 and acquisition of common stock for treasury in the six months ended September 30, 2022 increased by 138.5 billion yen, as compared with the six months ended September 30, 2021.

As a result of the foregoing, net cash used in financing activities was 338.4 billion yen in the six months ended September 30, 2022, as compared with 646.5 billion yen of net cash inflow in the six months ended September 30, 2021.

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

As a result of the foregoing, cash and cash equivalents as of September 30, 2022, were 866.0 billion yen, a decrease of 102.8 billion yen from March 31, 2022. Free cash flows, the sum of cash flows from operating and investing activities, were an inflow of 161.3 billion yen in the six months ended September 30, 2022, an increase of 951.2 billion yen compared with the six months ended September 30, 2021.

Assets, Liabilities and Equity

The following is an overview of Hitachi's assets, liabilities, and equity as of September 30, 2022.

Total assets were 13,617.3 billion yen, a decrease of 270.1 billion yen from March 31, 2022, due mainly to conversion of Hitachi Construction machinery Co., Ltd. to an equity-method affiliate of the Company, despite increased goodwill resulting from the impact of foreign exchange. Total interest-bearing debt, the sum of short-term debt and long-term debt including current portion of long-term debt, was 2,804.7 billion yen, a decrease of 321.9 billion yen from March 31, 2022, due mainly to a decrease in short-term debt and long-term debt.

Total Hitachi, Ltd. stockholders' equity increased by 509.2 billion yen from March 31, 2022, to 4,851.0 billion yen. The ratio of total Hitachi, Ltd. stockholders' equity to total assets was 35.6%, as compared with 31.3% as of March 31, 2022.

Non-controlling interests were 667.7 billion yen, a decrease of 345.7 billion yen from March 31, 2022.

Total equity was 5,518.8 billion yen, an increase of 163.5 billion yen from March 31, 2022. The ratio of interest-bearing debt to total equity was 0.51, as compared with 0.58 as of March 31, 2022.

(3) Management Policy

There were no material changes in Hitachi's management policy during the six months ended September 30, 2022.

(4) Challenges Hitachi Group Faces

1) Business and Financial Challenges Hitachi Group Faces

There were no material changes in Hitachi's business and financial challenges during the six months ended September 30, 2022.

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

There were no material changes in Hitachi's fundamental policy during the six months ended September 30, 2022.

(5) Research and Development

There were no material changes in the research and development of the Hitachi Group (the Company and consolidated subsidiaries) stated in the Annual Securities Report for the 153rd business term pursuant to the Financial Instruments and Exchange Act of Japan. The Hitachi Group's R&D expenditures in the six months ended September 30, 2022 were 155.6 billion yen, 2.9% of revenues. A breakdown of R&D expenditures by segment is shown below.

(Billions of yen)

Segment	Six months ended September 30, 2022
Digital Systems & Services	25.1
Green Energy & Mobility	22.8
Connective Industries	40.9
Automotive Systems	37.7
Hitachi Construction Machinery	9.5
Hitachi Metals	6.0
Others	0.9
Corporate items & Eliminations	12.4
Total	155.6

(6) Property, Plant and Equipment

The major property, plants and equipment materially changed during the six months ended September 30, 2022 are as follows.

Breakdown by Segment

(As of September 30, 2022)

Segment	Book value (Millions of yen)								Number of employees
	Land [Area in thousands of m ²]	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use Assets	Other	Construction in progress	Total	
Hitachi Construction Machinery (Note)	- [-]	-	-	-	-	-	-	-	-

(Note) As Hitachi Construction Machinery Company, Ltd. was converted into an equity-method associate of the Company from its subsidiary on August 23, 2022, there is no company which belongs to the Hitachi Construction Machinery segment. Consequently, no property, plants and equipment were recorded in the segment.

Domestic subsidiaries

As Hitachi Construction Machinery Company, Ltd. was converted into an equity-method associate on August 23, 2022, the Tsuchiura Works, Hitachinaka-Rinko Works and Hitachinaka Works of Hitachi Construction Machinery Company, Ltd. are no longer the facilities of the Company's domestic subsidiaries.

(7) Plans for Capital Investment, Disposals of Property, Plants and Equipment, etc.

The Hitachi Group (the Company and consolidated subsidiaries) engages in diverse operations in Japan and overseas, and has not decided on specific plans to newly install or expand each of facilities as of the end of the consolidated fiscal year and each quarter of the consolidated fiscal year. For this reason, it discloses amounts of capital investment by segment.

The amount of capital investment for the fiscal year ending March 31, 2023 is updated as follows (new installation and expansions, based on the amount recorded as tangible fixed assets and the investment property). The amount of capital investment which is shown in the Initial Plan is the amount planned as of the filing date of the Annual Securities Report for the 153rd business term.

Segment	The amount of capital investment for the fiscal year ending March 31, 2023 (Billions of yen)	
	Initial Plan	Updated Plan
Digital Systems & Services	65.0	62.0
Green Energy & Mobility	80.0	86.0
Connective Industries	76.0	70.0
Automotive Systems	96.0	91.0
Hitachi Construction Machinery	16.0	29.8
Hitachi Metals	16.0	25.0
Others	27.0	27.0
Corporate Items & Eliminations	16.0	16.1
Total	392.0	407.0

- (Notes) 1. The figures in the above table include the amount of the right-of-use assets and the investment property, each of which is recorded as property, plant and equipment and other non-current assets, respectively.
2. These planned investments are expected to be mostly financed with the Hitachi Group's own capital.
3. There are no plans to dispose or sell principal facilities, with the exception of disposing and selling facilities due to routine upgrading.

(8) Forward-Looking Statements

Certain statements found in “2. Management’s Discussion and Analysis of Consolidated Financial Conditions, Operating Results and Cash Flows” and other descriptions in this report may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this report.

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

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

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

3. Material Agreements, etc.

No material agreements were entered into during the six months ended September 30, 2022.

III. Information on the Company

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

(1) Total number of shares, etc.

1) Total number of shares

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

2) Issued shares

Class	Number of shares issued as of the end of fiscal year (shares) (September 30, 2022)	Number of shares issued as of the filing date (shares) (Note) (November 11, 2022)	Stock exchange on which the Company is listed	Description
Common stock	968,571,877	968,571,877	Tokyo, Nagoya	The number of shares per one unit of shares is 100 shares.
Total	968,571,877	968,571,877	—	—

(Note) The "Number of shares issued as of the filing date" does not include shares issued upon exercise of stock acquisition rights from November 1, 2022 to the filing date.

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

1) Details of stock option plans

Not applicable.

2) Details of other stock acquisition rights, etc.

Not applicable.

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

Not applicable.

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

Date	Change in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Change in common stock (Millions of yen)	Balance of common stock (Millions of yen)	Change in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
From July 1, 2022 to September 30, 2022	—	968,571,877	—	462,817	—	180,783

(5) Major shareholders

(As of September 30, 2022)

Name	Address	Share Ownership (shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	183,607,100	19.39
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	67,716,600	7.15
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351, Boston, Massachusetts 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	22,826,860	2.41
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	20,000,099	2.11
Hitachi Employees' Shareholding Association	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	19,552,728	2.07
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited)	One Lincoln Street, Boston MA USA 02111 (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	18,799,191	1.99
State Street Bank West Client - Treaty 505234 (Standing Proxy: Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	16,833,487	1.78
NATS CUMCO (Standing proxy: Mizuho Bank, Ltd.)	C/O Citibank, New York 111 Wall Street, New York, NY, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	16,723,562	1.77
GOVERNMENT OF NORWAY (Standing proxy: Citibank, N.A.)	Bankplassen 2, 0107 Oslo 1 Oslo 0107 NO (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo)	15,278,801	1.61
JP Morgan Chase Bank 385632 (Standing proxy: Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (15-1, Konan 2-chome, Minato-ku, Tokyo)	14,126,082	1.49
Total	-	395,464,510	41.77

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

2. Some reports on substantial shareholdings regarding the Company under the Financial Instruments and Exchange Act are available for public inspection. However, the information in the reports is not described in the above table since the Company does not confirm the actual status of shareholdings as of September 30, 2022. The major contents of the reports are as follows. On October 1, 2018, the Company completed the share consolidation of every five shares into one share for its common stock. The reports whose date on which the duty to file report is prior to the effective date of the share consolidation show the number of shares before the share consolidation.

Holders	BlackRock Japan Co. Ltd and seven other persons
Date on which the duty to file report	April 14, 2017
Number of shares	304,755,969 shares
Ownership percentage to the total number of issued shares	6.31%

Holders	Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other person
Date on which the duty to file report	March 15, 2022
Number of shares	58,850,673 shares
Ownership percentage to the total number of issued shares	6.08%

(6) Information on voting rights

1) Issued shares

(As of September 30, 2022)

Classification	Number of shares (shares)		Number of voting rights	Description
Shares without voting right	—		—	—
Shares with restricted voting right (treasury stock, etc.)	—		—	—
Shares with restricted voting right (others)	—		—	—
Shares with full voting right (treasury stock, etc.)	Common stock	21,777,800	—	—
Shares with full voting right (others)	Common stock	944,512,500	9,445,125	—
Shares less than one unit	Common stock	2,281,577	—	—
Number of issued shares	968,571,877		—	—
Total number of voting rights	—		9,445,125	—

(Note) The “Shares with full voting right (others)” column includes 5,300 shares registered in the name of Japan Securities Depository Center, Incorporated (account for managing stocks whose shareholders have not transferred titles) and 53 voting rights for those shares.

2) Treasury stock, etc.

(As of September 30, 2022)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Hitachi, Ltd.	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	21,744,600	—	21,744,600	2.25
Aoyama Special Steel Co., Ltd.	9-11, Shinkawa 2-chome, Chuo-ku, Tokyo	2,100	—	2,100	0.00
SAITA KOUGYOU CO., LTD.	5-3, Takinogawa 5-chome, Kita-ku, Tokyo	17,600	—	17,600	0.00
Nitto Jidosha Kiki K.K.	3268, Nagaoka, Ibarakimachi, Higashiibaraki-gun, Ibaraki	10,500	—	10,500	0.00
Mizuho Co., Inc.	28-8, Honkomagome 2-chome, Bunkyo-ku, Tokyo	3,000	—	3,000	0.00
Total	—	21,777,800	—	21,777,800	2.25

2. Changes in Senior Management

There were no changes in senior managements from the filing date of the Annual Securities Report for the 153rd business term pursuant to the Financial Instruments and Exchange Act of Japan to September 30, 2022.

IV. Financial Information

Refer to the condensed quarterly consolidated financial statements incorporated in this Quarterly Report.

Part II Information on Guarantors, etc. for the Company

Not applicable.

Condensed Quarterly Consolidated Financial Statements

Condensed Quarterly Consolidated Statement of Financial Position

Millions of yen

	Note	September 30, 2022	March 31, 2022
Assets			
Current assets			
Cash and cash equivalents		866,016	968,827
Trade receivables and contract assets	6	2,800,110	2,978,149
Inventories		1,985,929	2,042,432
Investments in securities and other financial assets	7	332,999	376,315
Other current assets		297,552	233,708
Total current assets		6,282,606	6,599,431
Non-current assets			
Investments accounted for using the equity method	5	598,097	411,201
Investments in securities and other financial assets	7	518,487	584,806
Property, plant and equipment		2,114,679	2,478,901
Goodwill	5,11	2,406,171	2,153,706
Other intangible assets	5	1,328,335	1,257,128
Other non-current assets	8	368,970	402,329
Total non-current assets		7,334,739	7,288,071
Total assets		13,617,345	13,887,502
Liabilities			
Current liabilities			
Short-term debt		1,146,127	1,234,119
Current portion of long-term debt	7	205,840	336,418
Other financial liabilities	5,7	484,687	294,047
Trade payables		1,705,044	1,754,633
Accrued expenses		695,867	738,030
Contract liabilities		1,156,864	1,069,732
Other current liabilities		415,409	427,087
Total current liabilities		5,809,838	5,854,066
Non-current liabilities			
Long-term debt	7	1,452,822	1,556,175
Retirement and severance benefits	8	415,174	414,839
Other non-current liabilities	7	420,693	707,145
Total non-current liabilities		2,288,689	2,678,159
Total liabilities		8,098,527	8,532,225
Equity			
Hitachi, Ltd. stockholders' equity			
Common stock		462,817	461,731
Capital surplus	5,7	48,659	46,119
Retained earnings	9	3,358,320	3,197,725
Accumulated other comprehensive income		1,122,735	639,263
Treasury stock, at cost		(141,444)	(3,002)
Total Hitachi, Ltd. stockholders' equity		4,851,087	4,341,836
Non-controlling interests	5,7	667,731	1,013,441
Total equity		5,518,818	5,355,277
Total liabilities and equity		13,617,345	13,887,502

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Six months ended September 30, 2022 and 2021

Millions of yen

	Note	2022	2021
Revenues	10	5,416,779	4,832,665
Cost of sales		(4,101,557)	(3,647,380)
Gross profit		1,315,222	1,185,285
Selling, general and administrative expenses		(990,593)	(875,230)
Other income	5,11	74,508	105,159
Other expenses	5,8,11	(134,430)	(21,184)
Financial income	12	11,425	9,282
Financial expenses	12	(10,519)	(1,255)
Share of profits (losses) of investments accounted for using the equity method		26,677	23,404
EBIT (Earnings before interest and taxes)		292,290	425,461
Interest income		11,308	7,665
Interest charges		(21,453)	(13,019)
Income before income taxes		282,145	420,107
Income taxes		(81,299)	(55,693)
Net income		200,846	364,414
Net income attributable to:			
Hitachi, Ltd. stockholders		172,515	322,444
Non-controlling interests		28,331	41,970
Earnings per share attributable to Hitachi, Ltd. stockholders	13		Yen
Basic		180.01	333.67
Diluted		179.83	333.24

Condensed Quarterly Consolidated Statement of Comprehensive Income

Six months ended September 30, 2022 and 2021

Millions of yen

	Note	2022	2021
Net income		200,846	364,414
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		(18,257)	(10,276)
Remeasurements of defined benefit plans		17,232	-
Share of OCI of investments accounted for using the equity method		571	(232)
Total items not to be reclassified into net income		(454)	(10,508)
Items that can be reclassified into net income			
Foreign currency translation adjustments		552,473	40,409
Net changes in cash flow hedges		(742)	1,879
Share of OCI of investments accounted for using the equity method		38,198	15,985
Total items that can be reclassified into net income		589,929	58,273
Other comprehensive income (OCI)		589,475	47,765
Comprehensive income		790,321	412,179
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		681,216	366,183
Non-controlling interests		109,105	45,996

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Profit or Loss

Three months ended September 30, 2022 and 2021

Millions of yen

	Note	2022	2021
Revenues		2,846,963	2,465,228
Cost of sales		(2,147,215)	(1,856,710)
Gross profit		699,748	608,518
Selling, general and administrative expenses		(496,672)	(428,946)
Other income		70,341	69,882
Other expenses		(71,280)	(12,223)
Financial income		8,083	8,560
Financial expenses		(12,336)	(524)
Share of profits (losses) of investments accounted for using the equity method		13,777	11,524
EBIT (Earnings before interest and taxes)		211,661	256,791
Interest income		6,058	3,026
Interest charges		(12,180)	(6,565)
Income before income taxes		205,539	253,252
Income taxes		(51,742)	(25,787)
Net income		153,797	227,465
Net income attributable to:			
Hitachi, Ltd. stockholders		135,357	200,213
Non-controlling interests		18,440	27,252
Earnings per share attributable to Hitachi, Ltd. stockholders	13		Yen
Basic		142.17	207.17
Diluted		142.03	206.91

Condensed Quarterly Consolidated Statement of Comprehensive Income

Three months ended September 30, 2022 and 2021

Millions of yen

	Note	2022	2021
Net income		153,797	227,465
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI		(11,869)	5,072
Remeasurements of defined benefit plans		-	-
Share of OCI of investments accounted for using the equity method		559	16
Total items not to be reclassified into net income		(11,310)	5,088
Items that can be reclassified into net income			
Foreign currency translation adjustments		139,795	33,947
Net changes in cash flow hedges		388	(4,835)
Share of OCI of investments accounted for using the equity method		21,201	5,289
Total items that can be reclassified into net income		161,384	34,401
Other comprehensive income (OCI)		150,074	39,489
Comprehensive income		303,871	266,954
Comprehensive income attributable to:			
Hitachi, Ltd. stockholders		269,053	239,161
Non-controlling interests		34,818	27,793

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Changes in Equity

Six months ended September 30, 2022

Millions of yen

	2022							
	Common stock	Capital surplus (note 5)	Retained earnings (note 9)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 5)	Total equity
Balance at beginning of period	461,731	46,119	3,197,725	639,263	(3,002)	4,341,836	1,013,441	5,355,277
Changes in equity								
Reclassified into retained earnings	-	-	50,950	(50,950)	-	-	-	-
Net income	-	-	172,515	-	-	172,515	28,331	200,846
Other comprehensive income	-	-	-	508,701	-	508,701	80,774	589,475
Dividends to Hitachi, Ltd. stockholders	-	-	(62,870)	-	-	(62,870)	-	(62,870)
Dividends to non-controlling interests	-	-	-	-	-	-	(23,114)	(23,114)
Acquisition of treasury stock	-	-	-	-	(138,695)	(138,695)	-	(138,695)
Sales of treasury stock	-	(94)	-	-	253	159	-	159
Issuance of new shares	1,086	1,086	-	-	-	2,172	-	2,172
Changes in non-controlling interests	-	1,548	-	25,721	-	27,269	(431,701)	(404,432)
Total changes in equity	1,086	2,540	160,595	483,472	(138,442)	509,251	(345,710)	163,541
Balance at end of period	462,817	48,659	3,358,320	1,122,735	(141,444)	4,851,087	667,731	5,518,818

Six months ended September 30, 2021

Millions of yen

	2021							
	Common stock	Capital surplus (note 7)	Retained earnings (note 9)	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests (note 7)	Total equity
Balance at beginning of period	460,790	84,040	2,710,604	273,561	(3,493)	3,525,502	932,730	4,458,232
Changes in equity								
Reclassified into retained earnings	-	-	4,923	(4,923)	-	-	-	-
Net income	-	-	322,444	-	-	322,444	41,970	364,414
Other comprehensive income	-	-	-	43,739	-	43,739	4,026	47,765
Dividends to Hitachi, Ltd. stockholders	-	-	(53,175)	-	-	(53,175)	-	(53,175)
Dividends to non-controlling interests	-	-	-	-	-	-	(32,423)	(32,423)
Acquisition of treasury stock	-	-	-	-	(146)	(146)	-	(146)
Sales of treasury stock	-	(296)	-	-	738	442	-	442
Issuance of new shares	941	941	-	-	-	1,882	-	1,882
Changes in non-controlling interests	-	(12,920)	-	(2,877)	-	(15,797)	(20,962)	(36,759)
Total changes in equity	941	(12,275)	274,192	35,939	592	299,389	(7,389)	292,000
Balance at end of period	461,731	71,765	2,984,796	309,500	(2,901)	3,824,891	925,341	4,750,232

See accompanying notes to condensed quarterly consolidated financial statements.

Condensed Quarterly Consolidated Statement of Cash Flows

Six months ended September 30, 2022 and 2021

Millions of yen

	Note	2022	2021
Cash flows from operating activities:			
Net income		200,846	364,414
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization		282,415	263,048
Impairment losses		62,695	2,072
Income taxes		81,299	55,693
Share of (profits) losses of investments accounted for using the equity method		(26,677)	(23,404)
Financial income and expenses		3,744	892
Net (gain) loss on business reorganization and others		(66,147)	(97,540)
(Gain) loss on sale of property, plant and equipment		(7,502)	(6,864)
Change in trade receivables and contract assets		140,808	173,636
Change in inventories		(252,751)	(232,911)
Change in trade payables		(53,265)	(27,268)
Change in accrued expenses		(47,403)	(43,136)
Change in retirement and severance benefits		51,023	(14,064)
Other		(83,696)	(130,613)
Subtotal		285,389	283,955
Interest received		11,476	8,487
Dividends received		11,595	7,099
Interest paid		(21,500)	(12,546)
Income taxes paid		(53,308)	(125,527)
Net cash provided by (used in) operating activities		233,652	161,468
Cash flows from investing activities:			
Purchase of property, plant and equipment		(137,894)	(138,828)
Purchase of intangible assets		(71,133)	(66,258)
Proceeds from sale of property, plant and equipment, and intangible assets		45,262	35,523
Purchase of investments in securities and other financial assets			
(including investments in subsidiaries and investments accounted for using the equity method)		(30,508)	(921,457)
Proceeds from sale of investments in securities and other financial assets			
(including investments in subsidiaries and investments accounted for using the equity method)		127,223	106,152
Other		(5,289)	33,439
Net cash provided by (used in) investing activities		(72,339)	(951,429)
Cash flows from financing activities:			
Change in short-term debt, net		12,224	895,309
Proceeds from long-term debt		72,167	26,699
Payments on long-term debt		(148,745)	(167,850)
Proceeds from payments from non-controlling interests		310	-
Dividends paid to Hitachi, Ltd. stockholders		(62,727)	(53,127)
Dividends paid to non-controlling interests		(40,026)	(33,165)
Acquisition of common stock for treasury		(138,695)	(146)
Proceeds from sales of treasury stock		159	442
Purchase of shares of consolidated subsidiaries from non-controlling interests		(32,705)	(21,607)
Other		(435)	(16)
Net cash provided by (used in) financing activities		(338,473)	646,539
Effect of exchange rate changes on cash and cash equivalents		74,349	8,502
Change in cash and cash equivalents		(102,811)	(134,920)
Cash and cash equivalents at beginning of period		968,827	1,015,886
Cash and cash equivalents at end of period		866,016	880,966

See accompanying notes to condensed quarterly consolidated financial statements.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2022

(1) Nature of Operations

Hitachi, Ltd. (the Company) is a corporation domiciled in Japan, whose shares are listed on the Tokyo Stock Exchange. The condensed quarterly consolidated financial statements of the Company as of and for the six months ended September 30, 2022 comprise the Company, its subsidiaries and the Company's interests in associates and joint ventures. The Company's and its subsidiaries' businesses are global and diverse, and include manufacturing and services in seven segments consisting of Digital Systems & Services, Green Energy & Mobility, Connective Industries, Automotive Systems, Hitachi Construction Machinery, Hitachi Metals and Others.

(2) Basis of Presentation

As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards" pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No.64 of 2007), the condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting," as permitted by the provision of Article 93 of the Ordinance. They do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the financial statements and notes included in the Company's annual consolidated financial statements for the year ended March 31, 2022.

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

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

Judgments, estimates and assumptions that could have a material effect on these condensed quarterly consolidated financial statements are basically the same as those disclosed in the Company's annual consolidated financial statements for the year ended March 31, 2022.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2022

(3) Significant Accounting Policies

Significant accounting policies adopted in preparation of the condensed quarterly consolidated financial statements are consistent with those used in the preparation of the Company's annual consolidated financial statements for the year ended March 31, 2022.

Income taxes for the six months ended September 30, 2022 are computed using the estimated annual effective tax rate.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2022

(4) Segment Information

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

The Company discloses its business in seven reportable segments, corresponding to categories of activities classified primarily by the similarities for the nature of markets, products and services, and economic characteristics. Several operating segments are aggregated into Green Energy & Mobility and Connective Industries for financial reporting purposes so that users of the financial statements better understand the Company's financial position and business performance. The Company aggregates operating segments based on the similarities of economic characteristics mainly using the segment profit (loss) margin ratio of operating segments. The primary products and services included in each segment are as follows:

Digital Systems & Services:

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

Green Energy & Mobility:

Energy solutions (Power grid, Renewable energy, Nuclear), and Railway systems

Connective Industries:

Building systems (Elevators, Escalators), Smart life & ecofriendly systems (Home appliances, Air conditioners), Measurement and analytical systems (Medical and Bio, Semiconductor, Industry), Industry & distribution solutions, Water & environment solutions, and Industrial machinery

Automotive Systems:

Powertrain, Chassis, Advanced driver assistance, and Motorcycle systems

Hitachi Construction Machinery:

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

Hitachi Metals:

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

Others:

Optical disk drives, Property management and others

Effective from April 1, 2022, the Company changed its business structure in order to realize further evolution and growth of the Social Innovation Business and aims to realize a sustainable society. Accordingly, the Company reclassified its reportable segments in seven segments as Digital Systems & Services, Green Energy & Mobility, Connective Industries, Automotive Systems, Hitachi Construction Machinery, Hitachi Metals, and Others. Figures for the six months ended September 30, 2021 have been restated on the basis of the reclassification.

In August 2022, the Company sold a certain number of shares of Hitachi Construction Machinery Co., Ltd. (Hitachi Construction Machinery). As a result, Hitachi Construction Machinery and its subsidiaries, which were included in the Hitachi Construction Machinery segment, became the equity-method associates of the Company. Accordingly, from the second quarter of this fiscal year, the Company includes its share of profits (losses) of investments accounted for using the equity method of Hitachi Construction Machinery and its subsidiaries after the transfer of shares in Corporate items and Eliminations.

In addition, from the year ending March 31, 2023, segment profit (loss), previously presented based on EBIT, is changed and presented on an Adjusted EBITA basis, as a measure of profit (loss) used by the chief operating decision maker mainly in deciding how to allocate resources and in assessing performance.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2022

The following tables show business segment information for the six months ended September 30, 2022 and 2021.

Millions of yen

	2022			
	Segment			
	Digital Systems & Services	Green Energy & Mobility	Connective Industries	Automotive Systems
Revenues				
Revenues from External Customers	1,015,825	1,046,531	1,329,265	881,624
Revenues from Intersegment Transactions	84,062	24,990	98,517	2,426
Total Revenues	1,099,887	1,071,521	1,427,782	884,050
Segment Profit (Loss)	117,484	45,833	149,189	11,846

Millions of yen

	2022					
	Segment				Corporate items and Eliminations	Total
	Hitachi Construction Machinery	Hitachi Metals	Others	Subtotal		
Revenues						
Revenues from External Customers	474,168	554,608	109,422	5,411,443	5,336	5,416,779
Revenues from Intersegment Transactions	946	14,099	115,202	340,242	(340,242)	-
Total Revenues	475,114	568,707	224,624	5,751,685	(334,906)	5,416,779
Segment Profit (Loss)	43,226	27,633	6,860	402,071	(9,014)	393,057

Millions of yen

	2021			
	Segment			
	Digital Systems & Services	Green Energy & Mobility	Connective Industries	Automotive Systems
Revenues				
Revenues from External Customers	900,426	927,002	1,228,887	753,102
Revenues from Intersegment Transactions	76,210	24,104	108,651	2,854
Total Revenues	976,636	951,106	1,337,538	755,956
Segment Profit (Loss)	116,999	31,913	119,126	24,224

Millions of yen

	2021					
	Segment				Corporate items and Eliminations	Total
	Hitachi Construction Machinery	Hitachi Metals	Others	Subtotal		
Revenues						
Revenues from External Customers	472,623	441,999	103,743	4,827,782	4,883	4,832,665
Revenues from Intersegment Transactions	1,069	14,353	113,731	340,972	(340,972)	-
Total Revenues	473,692	456,352	217,474	5,168,754	(336,089)	4,832,665
Segment Profit (Loss)	43,299	17,050	11,965	364,576	7,862	372,438

Segment profit (loss) is measured by Adjusted EBITA. Adjusted EBITA is defined as Adjusted Earnings before Interest, Taxes and Amortization. Adjusted EBITA represents profit (loss) calculated by deducting selling, general and administrative expenses from gross profit, adding back amortization of intangible assets, etc. recognized upon business combinations, and adding or deducting share of profits (losses) of investments accounted for using the equity method.

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

Notes to Condensed Quarterly Consolidated Financial Statements
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Adjustments to income before income taxes from segment profit are as follows.

Millions of yen

	2022	2021
Segment Profit (Loss)	393,057	372,438
Amortization of Intangible assets, etc. recognized upon business combinations	(41,751)	(38,979)
Other income	74,508	105,159
Other expenses	(134,430)	(21,184)
Financial income	11,425	9,282
Financial expenses	(10,519)	(1,255)
EBIT (Earnings before interest and taxes)	292,290	425,461
Interest income	11,308	7,665
Interest charges	(21,453)	(13,019)
Income before income taxes	282,145	420,107

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(5) Business Acquisitions and Divestitures

The following are the main Business Acquisitions and Divestitures for the six months ended September 30, 2022, including the period up to the approval date of the condensed quarterly consolidated financial statements.

(a) Additional acquisition of shares of Hitachi Energy Ltd (Hitachi Energy)

On September 30, 2022, the Company signed an agreement with ABB Ltd (ABB) to acquire the remaining 19.9% of the shares of Hitachi Energy, a consolidated subsidiary of the Company in the Green Energy & Mobility segment, owned by ABB by exercising a call option, owned by the Company.

As a result of the additional acquisition of shares, the Company's ownership ratio of shares of Hitachi Energy will increase from 80.1% to 100% and Hitachi Energy will become a wholly owned subsidiary of the Company. The consideration is expected to be approximately 1,679 million U.S. dollars (approximately 243.2 billion yen) and the acquisition will be completed in the year ending March 31, 2023.

The Company derecognized the non-controlling interests and recognized other accounts payable and the difference between other accounts payable and non-controlling interests in capital surplus. The other accounts payable was recognized in Other financial liabilities in the condensed quarterly consolidated statement of financial position as of September 30, 2022.

(b) Sale of all shares of Hitachi Transport System, Ltd. (Hitachi Transport System)

On April 28, 2022, the Company entered into an agreement regarding the following three points, etc. for the common stocks of Hitachi Transport System (Hitachi Transport System Shares), an equity method associate of the Company, with HTSK Co., Ltd. (Offeror), a wholly owned subsidiary of HTSK Holdings Co., Ltd. (Offeror Parent), all equity interests which are currently owned by HTSK Investment L.P., which is indirectly held and operated by Kohlberg Kravis Roberts & Co. L.P.

- (i) The Offeror will launch a tender offer (Tender Offer) for Hitachi Transport System Shares and the Company will not tender any of its shares of Hitachi Transport System (Shares to Be Sold by the Company) in Tender Offer.
- (ii) The Company will sell the Shares to Be Sold by the Company in accordance with the share repurchase to be conducted by Hitachi Transport System.
- (iii) The Company obtains 10.0 billion yen worth of the Offeror Parent's shares with voting rights (equivalent to 10% of the total voting rights).

Offeror commenced Tender Offer on October 28, 2022, but it has not been completed by the approval date of the condensed quarterly consolidated financial statements.

The Company's consideration is expected to be approximately 222.0 billion yen.

Assuming the transaction is settled, Hitachi Transport System will be no longer the Company's equity method associate. An expected gain on the sale of Hitachi Transport System Shares in the amount of approximately 140.0 billion yen will be recognized in Other income in the consolidated statement of profit or loss for the year ending March 31, 2023.

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(c) Sale of shares of Hitachi Construction Machinery Co., Ltd. (Hitachi Construction Machinery)

On January 14, 2022, the Company entered into an agreement regarding the transfer of a part of the shares of Hitachi Construction Machinery, a consolidated subsidiary of the Company in the Hitachi Construction Machinery segment, with HCJI Holdings G.K., a special purpose company which is jointly invested by HCJ Holdings Ltd., a special purpose company wholly owned by a fund that Japan Industrial Partners, Inc. manages, operates, and provides information, and Citrus Investment LLC, a special purpose company wholly owned by ITOCHU Corporation. In accordance with this agreement, a certain number of shares of Hitachi Construction Machinery common stocks owned by the Company were transferred to HCJI Holdings G.K., on August 23, 2022.

As a result of this transfer of shares, the Company's ownership ratio of shares of Hitachi Construction Machinery decreased from 51.4% to 25.4%, and Hitachi Construction Machinery turned into an equity-method associate of the Company. The Company's consideration was 182,457 million yen.

A gain on the sale of Hitachi Construction Machinery shares in the amount of 39,211 million yen was recognized in Other income in the condensed quarterly consolidated statement of profit or loss for the six months ended September 30, 2022. Furthermore, changes in non-controlling interests in the condensed quarterly consolidated statement of changes in equity include derecognition of non-controlling interest in Hitachi Construction Machinery as a result of its deconsolidation.

The following table shows the assets, liabilities, and equity of Hitachi Construction Machinery as of March 31, 2022.

	Millions of yen
Cash and cash equivalents	87,583
Trade receivables and contract assets	237,792
Inventories	368,267
Investments in securities and other financial assets	62,193
Other current assets	8,421
Total current assets	764,256
Investments accounted for using the equity method	26,662
Investments in securities and other financial assets	63,197
Property, plant and equipment	442,904
Goodwill	55,367
Other intangible assets	58,967
Other non-current assets	29,321
Total non-current assets	676,418
Total assets	1,440,674
Short-term debt	103,320
Current portion of long-term debt	81,731
Other financial liabilities	51,239
Trade payables	144,531
Accrued expenses	37,965
Contract liabilities	9,967
Other current liabilities	24,893
Total current liabilities	453,646
Long-term debt	229,487
Retirement and severance benefits	17,622
Other non-current liabilities	50,607
Total non-current liabilities	297,716
Total liabilities	751,362
Total Hitachi, Ltd. stockholders' equity	318,069
Non-controlling interests	371,243
Total equity	689,312
Total liabilities and equity	1,440,674

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The following are the main Business Acquisitions and Divestitures for the six months ended September 30, 2021.

(a) Acquisition of GlobalLogic Inc.

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

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

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

	<u>Millions of yen</u>
Cash and cash equivalents	11,391
Trade receivables and contract assets	30,266
Other current assets	2,692
Non-current assets (excluding intangible assets)	4,324
Intangible assets	
Goodwill (not deductible for tax purposes)	822,173
Other intangible assets	231,130
Total	1,101,976
Current liabilities	134,272
Non-current liabilities	45,454
Total	179,726
Cash paid for the acquisition	922,250

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

Other intangible assets include the intangible asset representing customer relationships in the amount of 227,424 million yen. The intangible asset representing customer relationships is measured based on assumptions such as revenue growth rates, EBITDA ratios, revenue growth rate for existing customers, attrition rate of existing customers, and discount rate.

Acquisition related costs included in Other expenses in the condensed quarterly consolidated statement of profit or loss for the six months ended September 30, 2021 were 3,874 million yen.

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

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

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

On April 1, 2022, HGDH changed its name to Hitachi Digital LLC

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

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

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

The following are the material Business Acquisitions and Divestitures other than the above.

(a) Acquisition of Thales' ground transportation systems business

On August 3, 2021, Hitachi Rail Ltd.(Hitachi Rail) , a consolidated subsidiary of the Company in the Green Energy & Mobility segment, signed an agreement with Thales S.A.(Thales) to acquire the ground transportation systems business in order to expand the rail signalling systems business globally. Based on the agreement, Hitachi Rail will acquire Thales' ground transportation systems business which will be carved out from Thales. The transaction is subject to the usual conditions including regulatory and antitrust clearances and is expected to be completed by the fiscal year ending March 31, 2023. Hitachi Rail agreed on an enterprise value of 1,660 million euro (approximately 236.2 billion yen) and the final purchase price will be determined after certain adjustments. The effects of this transaction on the Company's consolidated financial statements are currently being evaluated.

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

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

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

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

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

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

Offeror commenced Tender Offer on September 27, 2022, and Tender Offer was completed on October 25, 2022. Following the completion of Tender Offer, the above related transactions, such as Share Consolidation of Hitachi Metals shares, will take place. The Company's consideration is expected to be approximately 382.0 billion yen.

Assuming the completion of the above related transactions and the transaction is settled, it is expected that the Company will transfer the 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 960 billion yen will be recognized in Other income in the consolidated statement of profit or loss for the year ending March 31, 2023. Furthermore, non-controlling interest in Hitachi Metals will decrease approximately 280.0 billion yen in the consolidated statement of changes in equity for the year ending March 31, 2023.

Notes to Condensed Quarterly Consolidated Financial Statements
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(6) Trade Receivables and Contract Assets

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

	Millions of yen	
	September 30, 2022	March 31, 2022
Accounts receivable	1,933,710	2,210,590
Contract assets	759,161	623,766
Others	107,239	143,793
Total	2,800,110	2,978,149

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

Others include notes receivable and electronically recorded monetary claims.

(7) Fair Value of Financial Instruments

(a) Fair Value Measurements

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

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

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

Investments in securities and other financial assets

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

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

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

Derivative assets are measured at fair value based on quoted prices associated with transactions that are not distressed, prices in inactive markets, or based on models using interest rate curves and forward and spot prices for currencies and commodities. If significant inputs are unobservable, the Company mainly uses the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

Long-term debt

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

Other financial liabilities

Derivative liabilities are measured at fair value based on quoted prices associated with transactions that are not distressed, prices in inactive markets, or based on models using interest rate curves and forward and spot prices for currencies and commodities. If significant inputs are unobservable, the Company uses mainly the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.

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(b) Financial Instruments Measured at Amortized Cost

The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of September 30 and March 31, 2022 are as follows.

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

Millions of yen

	September 30, 2022		March 31, 2022	
	Carrying amounts	Estimated fair values	Carrying amounts	Estimated fair values
<u>Assets</u>				
Investments in securities and other financial assets				
Lease receivables	27,166	27,166	70,227	71,648
Debt securities	50,836	50,836	55,057	55,058
Long-term loans receivable	1,285	1,285	1,650	1,650
<u>Liabilities</u>				
Long-term debt [1]				
Bonds	291,375	290,553	357,548	357,468
Long-term borrowings	1,081,483	1,081,895	1,207,825	1,207,727

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

(c) Financial Instruments Measured at Fair Value

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

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

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

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

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The following tables present the assets and liabilities that are measured at fair value on a recurring basis as of September 30 and March 31, 2022.

September 30, 2022				Millions of yen
Class of financial instruments	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:				
Investments in securities and other financial assets				
Equity securities	489	-	24,869	25,358
Debt securities	8,934	4,583	5,383	18,900
Derivatives	-	123,669	-	123,669
Financial assets measured at fair value through other comprehensive income:				
Investments in securities and other financial assets				
Equity securities	236,254	-	99,183	335,437
Total financial assets at fair value	245,677	128,252	129,435	503,364
Financial liabilities measured at fair value through profit or loss:				
Other financial liabilities				
Derivatives	-	97,169	-	97,169
Total financial liabilities at fair value	-	97,169	-	97,169

March 31, 2022				Millions of yen
Class of financial instruments	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:				
Investments in securities and other financial assets				
Equity securities	1,364	-	17,591	18,955
Debt securities	9,521	4,692	5,686	19,899
Derivatives	-	63,596	-	63,596
Financial assets measured at fair value through other comprehensive income:				
Investments in securities and other financial assets				
Equity securities	282,025	2,144	106,041	390,210
Total financial assets at fair value	292,910	70,432	129,318	492,660
Financial liabilities measured at fair value through profit or loss:				
Other financial liabilities				
Derivatives	-	47,145	-	47,145
Total financial liabilities at fair value	-	47,145	-	47,145

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The following tables present the changes in Level 3 instruments measured on a recurring basis for the six months ended September 30, 2022 and 2021.

September 30, 2022				Millions of yen
Level 3 financial assets	Equity securities	Debt securities	Derivatives	Total
Balance at beginning of period	123,632	5,686	-	129,318
Gain in profit or loss [1]	1,629	219	-	1,848
Loss in OCI [2]	(10,888)	-	-	(10,888)
Purchases	15,136	509	-	15,645
Sales and redemption	(575)	(503)	-	(1,078)
Acquisitions and divestitures	(8,118)	(547)	-	(8,665)
Other	3,236	19	-	3,255
Balance at end of period	124,052	5,383	-	129,435
Unrealized gain relating to financial assets held at end of period [4]	1,625	219	-	1,844

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

[1] Gain (loss) in profit or loss related to Financial assets measured at fair value through profit or loss is included in Financial income and Financial expenses in the condensed quarterly consolidated statement of profit or loss.

[2] Loss in OCI related to Financial assets measured at fair value through other comprehensive income is included in Net changes in financial assets measured at fair value through other comprehensive income in the condensed quarterly consolidated statement of comprehensive income.

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

[4] Unrealized gain relating to Financial assets measured at fair value through profit or loss held at the end of period is included in Financial income in the condensed quarterly consolidated statement of profit or loss.

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

(d) Other

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

Put options on non-controlling interests of the Company and its subsidiaries are measured at the present value of the exercise price. The carrying amount of the put options above as of March 31, 2022 was 268,851 million yen included in Other non-current liabilities in the condensed quarterly consolidated statement of financial position.

Notes to Condensed Quarterly Consolidated Financial Statements
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(8) Employee Benefits

(Revision of defined benefit pension plan)

Since the Company and a consolidated subsidiary of the Company introduced a risk-sharing corporate pension plan on April 1, 2019, for current employees participating in the defined benefit pension plan managed by the Hitachi Pension Fund, the same has been promoted to the other subsidiaries that participate in pension plan managed by the Hitachi Pension Fund. On April 1, 2022, newly 43 subsidiaries have changed their pension plans for current employees from defined benefit pension plan to risk-sharing corporate pension plan, and now the revision of Hitachi group pension plan managed by the Hitachi Pension Fund has been almost completed.

Under this plan, a risk reserve contribution is determined in advance in accordance with the rules governing the plan, and the pension benefits are adjusted annually based on the financial position of the plan to maintain balanced finance.

In terms of the corresponding accounting treatment for retirement benefits, risk-sharing corporate pension plan, for which an entity accepts contribution obligations to the extent stipulated in the rules but has no further obligations to make any additional contributions, are classified as defined contribution plan. Since the risk-sharing corporate pension plan, which subsidiaries introduced on April 1, 2022, impose no additional contribution obligations, at the time of the shift to the revised plan, the difference between the defined benefit obligations related to the portion transferred to the revised plan and the amount of assets transferred to the revised plan corresponding to the decrease in defined benefit obligations, 51,185 million yen, was recognized as a settlement loss in Other expenses in the condensed quarterly consolidated statement of profit or loss. And in the condensed quarterly consolidated statement of financial position, Other non-current assets decreased by 49,334 million yen, and Retirement and severance benefits increased by 1,851 million yen, respectively. Excluding the settlement loss in above, the impacts of changing pension plans on profit or loss for the fiscal year ending March 31, 2023 are not material.

Notes to Condensed Quarterly Consolidated Financial Statements
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(9) Dividends

Dividends paid on the Company's common stock for the six months ended September 30, 2022 are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on May 13, 2022	62,870	Retained earnings	65.0	March 31, 2022	June 2, 2022

Dividends on the Company's common stock whose record date falls in the six months ended September 30, 2022 and the effective date falls in the next period are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on October 28, 2022	66,277	Retained earnings	70.0	September 30, 2022	November 29, 2022

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

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

Dividends on the Company's common stock whose record date falls in the six months ended September 30, 2021 and the effective date falls in the next period are as follows:

Decision	Cash dividends (millions of yen)	Appropriation from	Cash dividends per share (yen)	Record date	Effective date
The Board of Directors on October 27, 2021	58,035	Retained earnings	60.0	September 30, 2021	November 29, 2021

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(10) Revenues

(a) Disaggregation of revenue

The Company derives revenues primarily from contracts with customers. The following table shows the disaggregation of revenue attributable to each reportable segment and geographic area.

Effective from April 1, 2022, the Company reclassified its reportable segments. Accordingly, figures for the six months ended September 30, 2021 have been restated on the basis of the reclassification. Details of the reclassification are described in note 4.

Millions of yen

September 30, 2022							
	Japan					Overseas Revenues Subtotal	Total Revenues
		Asia	North America	Europe	Other Areas		
Digital Systems & Services	699,085	119,885	153,474	102,353	25,090	400,802	1,099,887
Green Energy & Mobility	166,720	195,728	202,721	361,277	145,075	904,801	1,071,521
Connective Industries	652,605	526,279	129,328	100,744	18,826	775,177	1,427,782
Automotive Systems	215,706	341,442	200,164	71,220	55,518	668,344	884,050
Hitachi Construction Machinery	80,640	83,040	94,671	80,460	136,303	394,474	475,114
Hitachi Metals	211,461	122,472	194,653	27,341	12,780	357,246	568,707
Others	186,656	28,549	3,248	4,179	1,992	37,968	224,624
Subtotal	2,212,873	1,417,395	978,259	747,574	395,584	3,538,812	5,751,685
Corporate items and Eliminations	(309,924)	(19,671)	(1,054)	(3,949)	(308)	(24,982)	(334,906)
Total	1,902,949	1,397,724	977,205	743,625	395,276	3,513,830	5,416,779

Millions of yen

September 30, 2021							
	Japan					Overseas Revenues Subtotal	Total Revenues
		Asia	North America	Europe	Other Areas		
Digital Systems & Services	699,897	83,247	96,615	75,818	21,059	276,739	976,636
Green Energy & Mobility	172,939	201,372	157,875	307,266	111,654	778,167	951,106
Connective Industries	658,789	484,793	99,290	75,214	19,452	678,749	1,337,538
Automotive Systems	218,299	281,003	147,342	63,028	46,284	537,657	755,956
Hitachi Construction Machinery	96,915	88,209	93,235	74,882	120,451	376,777	473,692
Hitachi Metals	196,494	98,043	131,641	21,096	9,078	259,858	456,352
Others	181,872	26,979	2,705	4,497	1,421	35,602	217,474
Subtotal	2,225,205	1,263,646	728,703	621,801	329,399	2,943,549	5,168,754
Corporate items and Eliminations	(312,729)	(15,490)	(2,598)	(4,027)	(1,245)	(23,360)	(336,089)
Total	1,912,476	1,248,156	726,105	617,774	328,154	2,920,189	4,832,665

The Digital Systems & Services segment consists of Front Business, IT Services, and Services & Platforms, for which revenue amounted to 445,265 million yen, 417,448 million yen and 445,020 million yen for the six months ended September 30, 2022 and 426,062 million yen, 399,104 million yen and 354,005 million yen for the six months ended September 30, 2021, respectively (including intersegment transactions). Front Business and IT Services are operated mainly in Japan, and Services & Platforms is operated mainly in Japan, North America and Europe.

Notes to Condensed Quarterly Consolidated Financial Statements
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The Company's revenues include revenue recognized based on the pattern of the cost accrual arising from long-term projects. Of the revenue recognized during the six months ended September 30, 2022 and 2021, the amount of revenue recognized based on the pattern of the cost accrual arising from long-term projects were 777,099 million yen and 711,609 million yen, respectively.

(b) Information about satisfaction of performance obligations

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

(Digital Systems & Services)

Front Business and IT Services primarily provide goods and services such as system integration, consulting and cloud service. Services & Platforms primarily provides IT products and software.

These long-term projects in system integration, consulting and cloud service businesses provide goods and services according to customers' specifications over a specified period of time, and revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost) or the passage of time as performance obligations are satisfied over time. Many of the contracts require payments based on milestones, and in some cases, payments are made before performance obligations are satisfied.

In IT products and software businesses, revenue is recognized when control over the goods is transferred to customers as performance obligations are satisfied at the point in time upon the completion or upon delivery of the goods. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

(Green Energy & Mobility and Connective Industries)

The Green Energy & Mobility segment includes revenue from businesses such as energy solutions and railway systems. The energy solutions business is operated mainly in Asia, North America, and Europe. The railway systems business is operated mainly in Europe. The Connective Industries segment includes revenue from businesses such as building systems, smart life & ecofriendly systems, measurement and analytical systems, and industry & distribution solutions. The building systems business is operated mainly in China, the smart life & ecofriendly systems business is operated mainly in Japan, the measurement and analytical systems business is operated mainly in Japan, Asia, North America, and Europe, and the industry & distribution solutions business is operated mainly in Japan.

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

Further, in the sale of elevators, home appliances, measurement and analytical systems, industrial equipment, etc. included in the Connective Industries segment, revenue is recognized when control over the goods is transferred to customers as performance obligations are satisfied at the point in time upon the completion or upon delivery of the goods. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

(Other)

In the Automotive Systems, Hitachi Construction Machinery, and Hitachi Metals segments, performance obligations are generally satisfied at a point in time upon completion or upon delivery of the goods, and revenue is recognized when control over goods is transferred to customers. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

These segments provide certain services promised in the contracts such as maintenance throughout the duration of the contract, and they recognize revenue over time based on the passage of time. Mostly, payment terms stipulate that the consideration is received within one year after the performance obligation is satisfied, and there are no significant transactions in which payment terms include deferred payments, etc.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2022

(11) Other Income and Expenses

The main components of other income and expenses for the six months ended September 30, 2022 and 2021 are as follows:

	Millions of yen	
	2022	2021
Net gain (loss) on sales and disposals of fixed assets	7,356	6,638
Impairment losses	(62,695)	(2,072)
Net gain (loss) on business reorganization and others	66,147	97,540
Special termination benefits	(2,911)	(2,673)

Impairment losses are mainly recognized on property, plant and equipment, goodwill and other intangible assets. Net gain (loss) on business reorganization and others includes gains and losses related to obtaining and losing control of investees and gains and losses related to obtaining and losing significant influence over investees.

Restructuring charges (structural reform expenses) included in Other expenses for the six months ended September 30, 2022 and 2021 were 65,606 million yen and 4,745 million yen, respectively. Restructuring charges (structural reform expenses) mainly include impairment losses and special termination benefits. In addition, the settlement loss of 51,185 million yen recognized for the six months ended September 30, 2022 due to the change to the risk-sharing corporate pension plan introduced by subsidiaries on April 1, 2022, is included in Other expenses for the six months ended September 30, 2022. Details of this transaction are described in note 8.

Impairment losses for the six months ended September 30, 2022 include 38,419 million yen in the Green Energy & Mobility segment, mainly consisting of 38,394 million yen in impairment losses on goodwill of Hitachi Energy in the power grids business due to the rise in discount rate following the significant rise in interest rates, etc. The recoverable amount was determined on the basis of value in use, which was measured at 10,600 million U.S. dollars (1,534,986 million yen) as of September 30, 2022, the date on which impairment losses were recognized. The value in use was discounted at 13.2% (before tax), which was derived from the weighted average cost of capital.

(12) Financial Income and Expenses

The main components of financial income and expenses for the six months ended September 30, 2022 and 2021 are as follows:

	Millions of yen	
	2022	2021
Dividends received	5,059	2,031
Exchange gain (loss)	4,910	4,820

Dividends received for the six months ended September 30, 2022 and 2021 are from financial assets measured at fair value through other comprehensive income.

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2022

(13) Earnings Per Share (EPS) Information

The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the six months ended September 30, 2022 and 2021 are as follows:

Six months ended September 30

	Number of shares	
	2022	2021
Weighted average number of shares on which basic EPS is calculated	958,347,984	966,352,029
Effect of dilutive securities		
Stock options	417,340	525,145
Restricted stock	536,020	705,144
Restricted stock units	33,462	33,714
Number of shares on which diluted EPS is calculated	959,334,806	967,616,032

	Millions of yen	
	2022	2021
Net income attributable to Hitachi, Ltd. stockholders		
Basic	172,515	322,444
Effect of dilutive securities	-	-
Diluted	172,515	322,444

	Yen	
	2022	2021
EPS attributable to Hitachi, Ltd. stockholders		
Basic	180.01	333.67
Diluted	179.83	333.24

Notes to Condensed Quarterly Consolidated Financial Statements
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The calculations of basic and diluted EPS attributable to Hitachi, Ltd. stockholders for the three months ended September 30, 2022 and 2021 are as follows:

Three months ended September 30

	Number of shares	
	2022	2021
Weighted average number of shares on which basic EPS is calculated	952,053,876	966,404,314
Effect of dilutive securities		
Stock options	417,340	499,000
Restricted stock	520,326	684,195
Restricted stock units	28,273	32,586
Number of shares on which diluted EPS is calculated	953,019,815	967,620,095

	Millions of yen	
	2022	2021
Net income attributable to Hitachi, Ltd. stockholders		
Basic	135,357	200,213
Effect of dilutive securities	-	-
Diluted	135,357	200,213

	Yen	
	2022	2021
EPS attributable to Hitachi, Ltd. stockholders		
Basic	142.17	207.17
Diluted	142.03	206.91

Notes to Condensed Quarterly Consolidated Financial Statements
September 30, 2022

(14) Contingencies

Litigation

In November 2017, a subsidiary in Japan received a complaint that was filed against three companies, namely a construction company of a condominium complex, the subsidiary and a secondary subcontractor, by a contractee in Japan seeking approximately 45.9 billion yen in compensation for expenses allegedly incurred arising from concerns over partial deficiencies of piling work during the construction phases of the condominium complex, which the subsidiary contracted as the primary subcontractor. The compensation claim against these three companies was amended to approximately 51.0 billion yen in July 2018 and to approximately 50.5 billion yen in September 2022 by the contractee.

In relation to the aforementioned lawsuit, in April 2018, the subsidiary in Japan received a complaint that was filed against the subsidiary and the secondary subcontractor, by the construction company of the condominium complex seeking approximately 49.6 billion yen in compensation for expenses allegedly incurred arising from the aforementioned lawsuit. In July 2018, the compensation claim against these two companies was amended to approximately 54.8 billion yen by the construction company of the condominium complex. Although the subsidiary in Japan will address these claims and explain its position, there can be no assurance that it will not be held liable for any amounts claimed.

In December 2017, a subsidiary in Europe received a complaint filed by a customer in Europe seeking compensation for consequential losses of 263 million euro (37,437 million yen) and interest allegedly incurred by performance defects of a power plant. As of September 30, 2022, the amount of compensation claimed by the customer was changed to 270 million euro (38,431 million yen). Although the subsidiary in Europe will vigorously defend itself against this lawsuit, there can be no assurance that it will not be held liable for any amounts claimed.

The Company and its subsidiaries execute a number of business reorganizations, including mergers, acquisitions and divestitures. Contracts for these reorganizations include clauses for transaction price adjustments subsequent to the reorganizations. There is a possibility products or services provided by the Company and its subsidiaries contain defects. As the result of price adjustments, or in compensation for defects in products or services etc. there is a possibility that the Company pays for any amounts.

Depending upon the outcome of the above legal proceedings, there may be an adverse effect on the consolidated financial position or results of operations. Currently, the Company is unable to estimate the adverse effect, if any, of many of these proceedings. The actual amount of fines, surcharge payments or any other payments resulting from these legal proceedings may be different from the accrued amounts.

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

(15) Approval of Condensed Quarterly Consolidated Financial Statements

The condensed quarterly consolidated financial statements were approved on November 11, 2022 by Keiji Kojima, President and CEO of the Company.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	November 11, 2022
[Company Name]	Kabushiki Kaisha Hitachi Seisakusho
[Company Name in English]	Hitachi, Ltd.
[Title and Name of Representative]	Keiji Kojima, President & CEO
[Title and Name of CFO]	Yoshihiko Kawamura, Executive Vice President and Executive Officer
[Address of Head Office]	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

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

Mr. Keiji Kojima, President & CEO, and Mr. Yoshihiko Kawamura, Executive Vice President and Executive Officer, confirmed that statements contained in the Quarterly Report for the second quarter of the 154th fiscal year (from July 1, 2022 to September 30, 2022) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

None.