(11) Consolidated Statement of Comprehensive Income (Supplementary Information)

	Years ended March 31	
	2022	2023
	(Millions of yen)	
Net income	670,864	703,870
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(11,224)	21,484
Remeasurements of defined benefit plans	30,795	40,202
Share of OCI of investments accounted for using the equity method	(403)	1,511
Total items not to be reclassified into net income	19,168	63,197
Items that can be reclassified into net income		
Foreign currency translation adjustments	391,489	232,360
Net changes in cash flow hedges	8,172	7,265
Share of OCI of investments accounted for using the equity method	41,207	14,595
Total items that can be reclassified into net income	440,868	254,220
Other comprehensive income (OCI)	460,036	317,417
Comprehensive income	1,130,900	1,021,287
Comprehensive income attributable to:		
Hitachi, Ltd. stockholders	958,008	905,819
Non-controlling interests	172,892	115,468

(12) **Consolidated Statement of Changes in Equity** (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of year	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			72,970	(72,970)		-		-
Net income			649,124			649,124	54,746	703,870
Other comprehensive income				256,695		256,695	60,722	317,417
Dividends to Hitachi, Ltd. stockholders			(129,148)			(129,148)		(129,148)
Dividends to non-controlling interests						-	(34,828)	(34,828)
Acquisition of treasury stock					(200,212)	(200,212)		(200,212)
Sales of treasury stock		(94)			258	164		164
Cancellation of treasury stock		(199,417)			199,417	-		-
Issuance of new shares	1,086	1,086				2,172		2,172
Transfer to capital surplus from retained earnings		153,487	(153,487)			-		-
Changes in non-controlling interests		(1,181)		23,404		22,223	(701,368)	(679,145)
Total changes in equity	1,086	(46,119)	439,459	207,129	(537)	601,018	(620,728)	(19,710)
Balance at end of year	462,817	-	3,637,184	846,392	(3,539)	4,942,854	392,713	5,335,567

(13) Consolidated Statement of Cash Flows (Supplementary Information)

	Years ended March 31	
	2022	2023
	(Millions of yen)	
Cash flows from operating activities		
Net income	670,864	703,870
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	540,252	526,310
Impairment losses	35,091	129,894
Income taxes	168,469	116,101
Share of (profits) losses of investments accounted for using the equity method	(40,485)	(52,847)
Financial income and expenses	(2,012)	18,204
Net (gain) loss on business reorganization and others	(102,135)	(297,351)
(Gain) loss on sale of property, plant and equipment	(21,066)	(2,465)
Change in trade receivables and contract assets	(33,292)	(60,673)
Change in inventories	(330,187)	(244,346)
Change in trade payables	156,475	43,964
Change in accrued expenses	9,679	36,826
Change in retirement and severance benefits	(29,122)	49,935
Other	(52,596)	28,182
Subtotal	969,935	995,604
Interest received	16,372	25,675
Dividends received	18,824	26,419
Interest paid	(26,698)	(49,770)
Income taxes paid	(248,490)	(170,883)
Net cash provided by (used in) operating activities	729,943	827,045
Cash flows from investing activities		
Purchase of property, plant and equipment	(296,968)	(252,638)
Purchase of intangible assets	(142,893)	(157,947)
Proceeds from sale of property, plant and equipment, and intangible assets	109,836	55,580
Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	(933,200)	(106,069)
Proceeds from sale of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method)	168,892	616,317
Other	45,467	(4,180)
Net cash provided by (used in) investing activities	(1,048,866)	151,063
Free cash flows	(318,923)	978,108
Cash flows from financing activities		
Change in short-term debt, net	653,244	(277,685)
Proceeds from long-term debt	44,798	80,062
Payments on long-term debt	(305,943)	(288,795)
Proceeds from payments from non-controlling interests	-	310
Dividends paid to Hitachi, Ltd. stockholders	(111,149)	(129,005)
Dividends paid to non-controlling interests	(56,338)	(52,217)
Acquisition of common stock for treasury	(251)	(200,212)
Proceeds from sales of treasury stock	451	164
Purchase of shares of consolidated subsidiaries from non-controlling interests	(22,009)	(274,687)
Other	(64)	(901)
Net cash provided by (used in) financing activities	202,739	(1,142,966)
Effect of exchange rate changes on cash and cash equivalents	69,125	29,314
Change in cash and cash equivalents	(47,059)	(135,544)
Cash and cash equivalents at beginning of year	1,015,886	968,827
Cash and cash equivalents at end of year	968,827	833,283

(14) Notes to Consolidated Financial Statements

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

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

2. Scope of consolidation and application of equity method
   The number of consolidated subsidiaries is 696 and the number of equity-method affiliates is 267.

3. Accounting standard for income and expenses
   The Company recognizes revenue in accordance with the following five-step approach.
   Step 1: Identify the contract(s) with a customer
   Step 2: Identify the performance obligations in the contract
   Step 3: Determine the transaction price
   Step 4: Allocate the transaction price to the performance obligations in the contract
   Step 5: Recognize revenue when (or as) the Company satisfies a performance obligation

   The Company offers multiple solutions to meet its customers' needs which may involve the delivery or performance of multiple elements, such as goods or services. When the Company enters into multiple contracts for providing the goods or services, related contracts are combined based on interdependencies between each contract's consideration and the time the Company entered into such contracts, and the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct goods or services for the purpose of recognizing revenue.
   In estimating the stand-alone selling price, the Company considers various factors such as market conditions, entity-specific factors and information about the customer or situation of customer.
   The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. Variable consideration, such as discounts and rebates, is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The promised amount of consideration does not include a significant financing component.
   For a performance obligation satisfied over time, the Company measures its progress towards complete satisfaction of that performance obligation based on the costs incurred or the period of services being provided in consideration of the nature of the goods and services for the purpose of recognizing revenue. When the Company cannot reasonably measure the progress, revenue is recognized only to the extent of the costs incurred.
   The Company recognizes the incremental costs of obtaining a contract with a customer and the costs directly related to fulfilling a contract as an asset if those costs are expected to be recovered, and those assets are amortized based on the methods used to recognize revenue of the goods or services to which the assets relate. The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is less than one year.
   Revenue recognition under long-term projects requires significant assumptions about the estimated total cost, estimated total selling price, risk associated with the contract, and other factors. These estimates are subject to variance of uncertain economic conditions in the future and may vary due to a variety of reasons beyond our control. The Company reviews these estimates on an ongoing basis and reflects them in accounting practices.

4. Financial assets

The Company has adopted IFRS 9 “Financial Instruments”.

Financial assets measured at amortized cost

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

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

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

Financial assets measured at fair value through other comprehensive income

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

Financial assets measured at fair value through profit or loss

Equity instruments not designated as Financial assets measured at fair value through other comprehensive income and debt instruments not classified as financial assets measured at amortized cost are classified as Financial assets measured at fair value through profit or loss. These instruments are subsequently measured at fair value and the changes in fair value are recognized in profit or loss.

Impairment of financial assets

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

5. Inventories

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

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

Property, plant and equipment

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

Goodwill and Other intangible assets

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

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

Impairment losses

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

7. Accounting methods for retirement and severance benefits
   The Company and certain subsidiaries have defined benefit pension plans, severance lump-sum payment plans and defined contribution pension plans to provide retirement and severance benefits to employees.
   (1) Defined Benefit Plans
   Defined benefit plans include defined benefit pension plans and severance lump-sum payment plans. The present value of defined benefit obligations and retirement benefit costs are measured based on the projected unit credit method. The present value of defined benefit obligations and the fair value of plan assets are remeasured as of the end of reporting period. Actuarial differences arising during the year and changes in fair value of plan assets (excluding interest income) are recognized in OCI and are not subsequently reclassified into profit or loss. Any prior service cost, which arises at the time of a plan amendment, is recognized immediately in profit or loss when such an amendment occurs.
   The present value of defined benefit obligations less the fair value of plan assets is presented as the net amount of defined benefit liability or asset in non-current liabilities or assets.
   (2) Defined Contribution Plans
   Defined contribution pension plans are post-employment benefit plans in which the employer pays a certain amount of premiums to a third-party asset manager but has no legal or constructive obligation to pay in excess of such contributions. Contributions to the defined contribution plans are recognized in profit or loss in the period when the service is provided by the employees.
   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 treatments for retirement benefits, risk-sharing corporate pension plans, 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 plans. Since this risk-sharing corporate pension plan, which 43 subsidiaries newly introduced on April 1, 2022, imposes no additional contribution obligations, 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 Consolidated Statement of Profit or Loss. In addition, in the 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 on Accounting Estimates)

1. Impairment of Property, Plant and Equipment, Goodwill and Other Intangible Assets (Impairment losses of (129,894) million yen)
   The calculation method used in determining impairment of property, plant and equipment, goodwill and other intangible assets are described in note 6 in the “Notes on Important Matters for Basis of Presentation of Consolidated Financial Statements”. The Company measures the recoverable amount of an asset or a CGU (or a group of CGUs) as the higher of fair value less costs of disposal and value in use. In measuring fair values, the Company and its subsidiaries primarily use the income approach (present value technique) based on the estimated future cash flows expected to result from the use of the asset and its eventual disposal or the market approach to derive reasonable estimates of values in orderly market transactions, such as comparisons of similar public companies and the current gross value of the asset. Value in use is calculated by the estimated future cash flows based on business plans approved by management, discounted at the discount rate which is derived from the weighted average cost of capital. The business plan used is based on external information, reflects historical experiences, and generally has a maximum of five years. Estimated cash flows beyond the period covered by the business plan are calculated using the estimated growth rate not exceeding the long-term average growth rate of the market to which the asset belongs. Although a certain amount of negative impact caused by soaring material prices and a shortage of semiconductors is included in current business plans, these plans may be affected by risks related to market or economic environment, and actual result may differ from the estimates. In addition, the discount rate used to calculate the value in use is affected by stock market trends and fluctuations in interest rates.
   The group of CGUs to which a significant proportion of goodwill was allocated were the power grids business in the Green Energy & Mobility segment as of March 31, 2023. Impairment losses on the goodwill of Hitachi Energy were recognized 38,394 million yen mainly due to the rise in discount rate accompanying the significant rise in interest rates, etc. for the three months ended September 30, 2022. Furthermore, the Company performed the annual impairment test of the goodwill of the power grids business in the fourth quarter of fiscal year 2022. The recoverable amount used in the annual impairment test of goodwill of the power grids business was calculated based on the value in use and in calculation of the value in use, estimated future cash flows was discounted at the discount rate derived from the weighted average cost of capital. Estimated future cash flows was based on business plan for five years and beyond the period covered by the business plan were calculated taking into account growth rate. The significant assumptions were revenue growth rates and gross profit ratios which reflected past experience and external information. The growth rate was set taking into account long-term inflation rate announced by an external research organization and the impact of interest rates incorporated discount rate at the annual impairment test of the goodwill. Additional impairment losses were not recognized as the result of the annual impairment test.

The carrying amount of goodwill allocated to the power grids business was 524,951 million yen as of March 31, 2023.
The Company considers it unlikely for the carrying amount of each CGU (or group of CGUs), together with allocated goodwill, would exceed the respective recoverable amounts of the CGU (or group of CGUs) even if the primary assumptions used for the impairment test changed within a reasonable range.

2. Employee Retirement Benefits (The ending balance of Retirement and severance benefits of 323,264 million yen)
Calculation methods for employee retirement benefits are described in the note 7 in the “Notes on Important Matters for Basis of Presentation of Consolidated Financial Statements”.
The measurement of a significant amount of employee retirement benefit costs is derived from actuarial valuations containing a number of actuarial assumptions including mortality, withdrawal and retirement rates, changes in wages and the discount rate. The Company and its subsidiaries make judgements regarding the actuarial assumptions used by taking into account various factors including personnel demographics, market conditions and expected trends in interest rates. Actuarial assumptions are determined based on the best estimates and judgements but may be affected by variance of uncertain economic conditions in the future or by amendments or issuance of related laws.

3. Long-term projects (The ending balance of Provisions for expected losses on construction contracts of 94,952 million yen)
The Company is engaged in long-term projects to provide goods and services according to customers’ specifications over a specified period of time, and revenue is recognized mainly based on the pattern of the cost accrual (the progress of the project mostly based on the cost incurred relative to the estimated total cost) and provisions for expected losses on construction contracts are recognized based on future estimated losses when there is a possibility of incurring losses in the future. For long-term projects, the total estimated revenue is calculated to the extent that is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when uncertainty associated with the total estimated revenue is subsequently resolved. In addition, the total estimated costs are estimated considering contract risks and other factors. The Company regularly reviews these estimates and reflects them in its accounting treatment.

4. Deferred tax assets (The ending balance of Deferred tax assets of 271,567 million yen)
Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which unused tax loss carryforwards, unused tax credits and future deductible temporary differences can be utilized. A certain amount of negative impact caused by soaring material prices and a shortage of semiconductor is included in future taxable income. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these deductible differences become deductible. The Company carries out an assessment of the scheduled reversals of deferred tax liabilities and projected future taxable income, including the execution of certain available tax strategies if needed. Based on these factors, the Company considers it is more likely than not it will realize the benefits of these deductible differences as of March 31, 2023. However, the times and amounts of taxable income occurrence may be affected by variance of uncertain economic conditions in the future, and the actual times and amounts may differ from the estimates. As a result of the reevaluation of a realizability of deferred tax assets in line with an improvement of long-term forecast related to future taxable income of the Company and its Japanese subsidiaries which apply the group tax sharing system, for the year ended March 31, 2023, the Company and its Japanese subsidiaries recognized deferred tax assets on a part of deductible temporary differences which had been unrecognized ever.
In the 2023 Japan tax reform, a corporate income tax corresponding to a global minimum tax was established, and the tax reform act ("Act for Partial Revision of the Income Tax Act, etc." (Act No. 3 of 2023)), including the rules related to the global minimum tax (hereinafter “Global minimum tax system”), was enacted on March 28, 2023. However, IAS 12 “Income Taxes” does not offer specific guidance on accounting for the Global minimum tax system. It is unclear whether the Global minimum tax system create additional temporary differences, whether to remeasure deferred taxes for the Global minimum tax system and which tax rate to use to measure deferred taxes. Furthermore, the tax rate that will apply to an entity’s excess profit in future periods depends on a number of factors that are difficult, if not impossible, to forecast reliably. The Company and its subsidiaries, therefore, developed an appropriate accounting policy, in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, and concluded that not accounting for deferred taxes related to the Global minimum tax system would result in the most relevant and reliable information.

(Notes to Consolidated Statement of Financial Position)

1. The components of Trade receivables and contract assets: Accounts receivable of 1,972,168 million yen, Contract assets of 804,500 million yen, and Others of 98,319 million yen.
   Trade receivables and contract assets are stated as net of the allowance for doubtful receivables. Others include notes receivable and electronically recorded monetary claims.
2. Accumulated other comprehensive income: Foreign currency translation adjustments of 635,260 million yen, remeasurements of defined benefit plans of 87,967 million yen, net changes in financial assets measured at fair value through other comprehensive income of 115,355 million yen, and net changes in cash flow hedges of 7,810 million yen.
3. Collateralized assets: Trade receivables and contract assets of 349 million yen, investments in securities and other financial assets of 319 million yen, and property, plant and equipment of 2,004 million yen.
   Secured debts: 286 million yen.
4. Allowance deducted directly from assets: 83,841 million yen from trade receivables and contract assets, and 1,801 million yen from other receivables.
5. Property, plant and equipment include land of 141,293 million yen and buildings and structures of 522,790 million yen.
   Accumulated depreciation and impairment losses of property, plant and equipment are (3,731,315) million yen.
   Other intangible assets include software of 208,294 million yen.
6. Guarantees: 11,337 million yen

(Notes to Consolidated Statement of Profit or Loss)

1. Other income
   Other income of 302,196 million yen mainly consists of net gain or loss on business reorganization and others of 297,351 million yen. It includes a gain on the sale of shares of Hitachi Transport System, Ltd. in the amount of 140,293 million yen, and on the sale of shares of Hitachi Metals, Ltd. in the amount of 95,324 million yen.
2. Other expenses
   Other expenses of (245,016) million yen mainly consists of impairment losses on property, plant and equipment and goodwill and other intangible assets of (129,894) million yen and a settlement loss of (51,185) million yen due to the change to the risk-sharing corporate pension plan introduced by subsidiaries.
3. Income taxes
   Income taxes of (116,101) million yen includes current tax expense of (280,420) million yen and deferred tax expense of 164,319 million yen.

(Notes to Consolidated Statement of Changes in Equity)

1. Class and number of issued shares and treasury stocks at end of year

(1) Issued shares	Common stock	938,083,077 shares
(2) Treasury stocks	Common stock	510,830 shares

2. Cash dividends
   Total amount of cash dividends 129,148 million yen
3. Class and number of shares to be issued upon exercise of stock acquisition rights at end of year
   Common stock 417,340 shares

(Notes on Revenue Recognition)

1. 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.

(Millions of yen)

	Japan	Asia	North America	Europe	Other Areas	Overseas Revenues Subtotal	Total Revenues
Digital Systems & Services	1,555,208	236,443	321,996	222,346	53,102	833,887	2,389,095
Green Energy & Mobility	444,499	413,579	458,978	829,339	346,127	2,048,023	2,492,522
Connective Industries	1,480,942	994,751	259,907	201,803	37,869	1,494,330	2,975,272
Automotive Systems	485,774	699,256	455,255	161,012	118,770	1,434,293	1,920,067
Hitachi Construction Machinery	80,640	83,040	94,671	80,460	136,303	394,474	475,114
Hitachi Metals	323,193	181,280	283,606	41,547	18,100	524,533	847,726
Others	391,886	62,748	6,121	8,140	4,120	81,129	473,015
Subtotal	4,762,142	2,671,097	1,880,534	1,544,647	714,391	6,810,669	11,572,811
Corporate items and Eliminations	(643,898)	(35,983)	(2,542)	(8,699)	(539)	(47,763)	(691,661)
Total	4,118,244	2,635,114	1,877,992	1,535,948	713,852	6,762,906	10,881,150

The Digital Systems & Services segment consists of Front Business, IT Services and Services & Platforms, for which revenue amounted to 982,541 million yen, 898,298 million yen and 938,130 million yen for the year ended March 31, 2023 (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.

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 fiscal year ended March 31, 2023, the amount of revenue recognized based on the pattern of the cost accrual arising from long-term projects was 1,805,588 million yen.

2. 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.
3. Information about contract balances
   The following table shows the beginning and ending balances of Trade receivables, Contract assets and Contract liabilities from contracts with customers for the fiscal year ended March 31, 2023.

(Millions of yen)

	April 1, 2022	March 31, 2023
Trade receivables	2,381,832	2,072,238
Contract assets	665,627	849,402
Contract liabilities	1,150,592	1,314,799

Of the revenue recognized during the fiscal year ended March 31, 2023, the amount included in Contract liabilities at the beginning of the fiscal year was 745,452 million yen. And the amount related to performance obligations satisfied in the past periods was not material.

4. Transaction price allocated to remaining performance obligations
The following table shows the balance of unsatisfied performance obligations by reportable segment for the fiscal year ended March 31, 2023.

(Millions of yen)

	Intersegment transactions	Balance of unsatisfied performance obligations
Digital Systems & Services	52,481	1,253,318
Green Energy & Mobility	45,801	7,554,950
Connective Industries	106,653	1,825,227

Segments of the Company and its subsidiaries that have contracts under which revenue is recognized over a long period of time are primarily the Digital Systems & Services segment, Green Energy & Mobility segment and Connective Industries segment.
The estimated timing of unsatisfied performance obligations at the fiscal year ended March 31, 2023 is as follows.
Approximately 90% of the balance of unsatisfied performance obligations of the Digital Systems & Services segment was expected to be satisfied within three years and approximately 10% after three years but no more than five years.
Approximately 60% of the balance of unsatisfied performance obligations of the Green Energy & Mobility segment was expected to be satisfied within three years and approximately 40% after three years but no more than five years.
Approximately 90% of the balance of unsatisfied performance obligations of the Connective Industries segment was expected to be satisfied within three years.
The remaining segments have contracts whose initial expected terms are generally one year or less. Accordingly, related information is excluded from this disclosure in accordance with the practical expedient.

5. Assets recognized from the costs incurred for obtaining or fulfilling contracts with customers
The Company and its subsidiaries recognize the costs incurred for obtaining or fulfilling contracts with customers as an asset to the extent those costs are expected to be recovered. Such costs recognized as an asset as of March 31, 2023 were not material.

(Notes on Financial Instruments)

1. Status of Financial Instruments
The Company and its subsidiaries, in an endeavor to optimize the capital efficiency of their business activities through efficient management of operating funds, include highly liquid short-term investments, which mature within three months of the date of acquisition and pose very little risk of fluctuation in value, in “cash equivalents” as immediately available financial resources.
Customer credit risk regarding receivables is managed based mainly on the current economic conditions, inherent risks, the financial position of the relevant customer and the past record.
Investments in securities and other financial assets mainly comprise equity financial instruments, which are managed by constantly monitoring the fair value.
Short-term debt and long-term debt are mainly used to fund business operations and capital expenditures.

2. Fair Value, etc. of Financial Instruments
(1) Fair Value Measurements
The following methods and assumptions are used to measure the fair value of financial assets and liabilities.
<u>Cash and cash equivalents, Trade receivables, Short-term loans receivable, Other accounts receivable, Short-term debt, Other accounts payable and Trade payables</u>
The carrying amount approximates the fair value because of the short maturity of these instruments.
<u>Investments in securities and other financial assets and Other financial liabilities</u>
The fair value of lease receivables is based on the present value of lease payments receivable calculated for each group of years to maturity using discount rates that reflect the time to maturity and credit risk.
Investment securities with quoted market prices are estimated using the quoted share prices. In the absence of an active market for investment securities, quoted prices for similar investment securities, quoted prices associated with transactions that are not distressed for identical or similar investment securities or other relevant information including market interest rate curves, referenced credit spreads or default rates, are used to determine fair value. If significant inputs of fair value measurement are unobservable, the Company uses price information provided by financial institutions to evaluate such investments. The information provided is corroborated by the income approach using its own valuation model, or the market approach using comparisons with prices of similar securities.
The fair value of long-term loans receivable is estimated based on the present value of future cash flows using the interest rate applicable to an additional loan of the same type.
Derivative assets and derivative liabilities are measured at fair value based on quoted prices associated with transactions that are not distressed, prices in inactive markets, or based on models using interest rate curves and forward and spot prices for currencies and commodities. If significant inputs are unobservable, the Company mainly uses the income approach or the market approach to corroborate relevant information provided by financial institutions and other available information.
<u>Long-term debt</u>
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.
(2) Financial Instruments Measured at Amortized Cost
The carrying amounts and estimated fair values of the financial instruments measured at amortized cost as of March 31, 2023 is 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)

	Carrying amounts	Fair Values
<u>Assets</u>		
Investments in securities and other financial assets		
Lease receivables	22,858	22,858
Debt securities	46,729	46,729
Long-term loans receivable	385	385
<u>Liabilities</u>		
Long-term debt [1]		
Bonds	160,000	159,250
Long-term debt	1,022,994	1,022,130

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

(3) Financial Instruments Measured at Fair Value
Financial instruments measured at fair value on a recurring basis after the initial recognition are classified into three levels of the fair value hierarchy based on the measurement inputs’ observability as follows:
Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets
Level 2: Valuations measured by direct or indirect observable inputs other than Level 1
Level 3: Valuations measured by significant unobservable inputs
When several inputs are used for a fair value measurement, the level is determined based on the input that is significant with the lowest level in the fair value measurement as a whole.
Transfers between levels are deemed at the beginning of each quarter period.

The following table presents the assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2023.

(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	335	-	28,352	28,687
Debt securities	8,684	4,145	4,959	17,788
Derivatives	-	78,327	-	78,327
Financial assets measured at fair value through other comprehensive income:				
Investments in securities and other financial assets				
Equity securities	234,175	-	104,445	338,620
Total financial assets at fair value	243,194	82,472	137,756	463,422
Financial liabilities measured at fair value through profit or loss:				
Other financial liabilities				
Derivatives	-	49,385	-	49,385
Total financial liabilities at fair value	-	49,385	-	49,385

The following table presents the changes in Level 3 instruments measured on a recurring basis for the year ended March 31, 2023.

(Millions of yen)

Level 3 financial assets	Equity securities	Debt securities	Total
Balance at beginning of year	123,632	5,686	129,318
Gain in profit or loss [1]	777	96	873
Loss in OCI [2]	(1,213)	-	(1,213)
Purchases	33,762	529	34,291
Sales and redemption	(13,513)	(521)	(14,034)
Acquisitions and divestitures	(13,964)	(846)	(14,810)
Other	3,316	15	3,331
Balance at end of year	132,797	4,959	137,756
Unrealized gain relating to financial assets held at end of year [3]	766	96	862

[1] Gain in profit or loss related to Financial assets measured at fair value through profit or loss is included in Financial income in the 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 OCI in the consolidated statement of comprehensive income.

[3] Unrealized gain relating to Financial assets measured at fair value through profit or loss held at the end of year is included in Financial income in the 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.

(Note on Per Share Information)

Hitachi, Ltd. stockholders’ equity per share	5,271.97 yen
Net income attributable to Hitachi, Ltd. stockholders per share	684.55 yen

(Note on Major Subsequent Events)

Repurchase of Shares of Common Stock

The Board of Directors decided to repurchase shares of its own common stock pursuant to Article 459, Paragraph 1 of the Companies Act of Japan and Article 32 of the Company's Articles of Incorporation, as follows.

(a) Reason for repurchase

The Company views the return of profits to shareholders through enhancing corporate value from mid- and long-term perspective and paying dividends continuously as an important managerial issue. The Company has decided to repurchase its own shares this time, taking into consideration its financial condition and the price of its common stock as well as the progress of the review of the business portfolio.

(b) Outline of the Repurchase

(i) Class of shares to be repurchased
Common stock of the Company

(ii) Aggregate number of shares to be repurchased
Up to 20 million shares
(2.13% of the number of outstanding shares (excluding treasury stocks))

(iii) Aggregate amount of repurchase
Up to 100.0 billion yen

(iv) Period of the repurchase
From April 28, 2023 to March 31, 2024

(v) Method of repurchase
Expected open market purchase through the Tokyo Stock Exchange

(Other Note)

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

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

(i)Share Subscription Agreement with JICC-01 Limited Partnership (hereinafter "JICC-01") managed by JICC-01 G.K., which is a wholly owned subsidiary of JICC including that Hitachi Astemo issues Class shares to JICC-01, and Hitachi Astemo purchases a part of shares of its common stocks held by the Company, using a portion of the funds raised through the issuance of Class shares

(ii)Agreement for investment in kind and share transfer with Honda including that Hitachi Astemo issues common stocks to Honda in exchange for Honda to invest the shares of Hitachi Astemo Electric Motor Systems, Ltd. in kind and the Company transfers a part of shares of Hitachi Astemo's common stocks to Honda

The consideration is expected to be approximately 158.0 billion yen.

Assuming the series of transactions based on the agreements is settled, it is expected that the Company's ownership ratio of shares of Hitachi Astemo will decrease from 66.6% to 40%, and Hitachi Astemo will turn into an equity-method associate of the Company.

An expected gain on the sale of Hitachi Astemo shares in the amount of approximately 107.0 billion yen will be recognized in Other income in the consolidated statement of profit or loss for the year ending March 31, 2024. Furthermore, non-controlling interests in Hitachi Astemo will decrease approximately 258.0 billion yen in the consolidated statement of changes in equity for the year ending March 31, 2024.