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Contacts:

Japan: Keisaku Shibatani
Hitachi, Ltd.
+81-3-5208-9324
keisaku.shibatani.tj@hitachi.com

Hitachi Announces Progress of 2015 Mid-term Management Plan

Tokyo, May 14, 2015 --- Hitachi, Ltd. (TSE:6501 / “Hitachi”) today announced the current status of its progress of the 2015 Mid-term Management Plan; a management plan focused on achieving growth and corporate transformation driven by the further promotion of Hitachi’s Social Innovation Business. A summary of key progress points appears below:

Key Message of Today’s Announcement

- (1) Hitachi has improved its earning power steadily in the second year of its 2015 Mid-term Management Plan as a result of expanding its businesses and services globally with the Social Innovation Business and also accelerating the cost reductions through the Hitachi Smart Transformation Project. Hitachi’s operating income has been increasing at a rate of more than 10% per year in the past three years, and it has achieved consecutive highest operating income.
- (2) On the other hand, Hitachi is challenging to anticipate changes in the market environment and create cash. Hitachi will execute business structure reforms with expenses in a scale of 50 billion yen in 1H FY2015, and expect performance improvement in and after FY2015. Also, Hitachi will increase profit and cash, and improve CCC^{*1} (manufacturing, services and others) by strengthening and reorganizing the Hitachi Smart Transformation Project.
- (3) In 2015, the last year of 2015 Mid-term Management Plan, Hitachi will accelerate solid execution of growth strategy, business structure reforms and improvement of cash generation capability in order to meet initial goals of the 2015 Mid-term Management Plan.

*1 CCC: Cash Conversion Cycle

1. Progress Overview

(1) FY2014 Result and FY2015 Targets

	FY2013 Actual (US GAAP)	FY2014 Actual (US GAAP)	FY2015 Forecast		FY2015 Initial Targets (US GAAP)
			(US GAAP)	(IFRS) ²	
Revenues	9,563.7 billion yen	9,761.9 billion yen	9,900.0 billion yen	9,950.0 billion yen	10 trillion yen
EBIT ³ (Operating income) ratio	6.1% (5.6%)	5.6% (6.2%)	6.6% (6.7%)	6.2% (6.8% ⁴)	Over 7% (Over 7%)
Net income attributable to Hitachi, Ltd. stockholders	264.9 billion yen	241.3 billion yen	330.0 billion yen	310.0 billion yen	Over 350.0 billion yen
Net Income attributable to Hitachi, Ltd. stockholders per share	54.86 yen	49.97 yen	68.34 yen	64.20 yen	Over 70 yen
Stockholders' equity ratio (Manufacturing, Services & Others)	27.4%	27.3%	29%	29%	Over 30%

*2 IFRS: International Financial Reporting Standards

*3 EBIT: Earnings before Interest and taxes

*4 This column shows "operating income after adjustments."

(an "Adjusted Operating Income" presented as revenues less cost of sales as well as selling, general and administrative expenses)

(2) Overseas revenue ratio, Service revenue ratio

	FY2013 Actual	FY2014 Actual	FY2015 Forecast	FY2015 Forecast
Overseas revenue ratio	45%	47%	50%	Over 50%
Service revenue ratio	32%	35%	38%	Over 40%

(3) Achievement, Estimated benefit of Hitachi Smart Transformation Project

FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Forecast	FY2011 - FY2015 Total Forecast	FY2011-15 Initial Total Target
35.0 billion yen	75.0 billion yen	110.0 billion yen	100.0 billion yen	100.0 billion yen	420.0 billion yen	400.0 billion yen

2. Management Focus

- (1) Innovation : Strengthen service businesses that maximize the utilization of IT and bring about innovation
- (2) Global : Deliver innovation to customers and society globally
- (3) Transformation : Transform Hitachi - To deliver innovation by standardized and speedy operation

3. Progress Overview in FY2014

(1) Results

① Stable increase in profitability:

Operating income is increasing at a rate of more than 10% per year.

② Expand global business:

Business in North America is increasing.

③ Expand Social Innovation Business.

Strengthen front-line capabilities, and support customers' growth.

(2) Challenges

① Business structure reforms to anticipate changes in the market environment:

Challenge: IT Platform business (telecommunications & network systems, servers), T&D equipment business etc.

Action: Execute business structure reforms with expenses on a scale of 50 billion yen in 1H FY2015, expecting performance improvement from these businesses in and after 2H FY2015.

② Strengthen ability to generate cash:

Challenge: Although sales costs have decreased, CCC (manufacturing, services and others) are on par with the previous year.

Action: Increase profit and cash, and improve CCC (manufacturing, services and others) by strengthening and reorganizing the Hitachi Smart Transformation Project.

(3) Dealing with discontinued operations^{*5}

When Hitachi's thermal power generation systems business was integrated with Mitsubishi Heavy Industries, some projects, mainly in Europe, remained with Hitachi. Most of these projects have been wrapped up and recognized as "discontinued operations", so net losses of 52.7 billion yen were posted in FY2014.

^{*5} The thermal power generation systems business is classified as a discontinued operation in accordance with the provision of ASC 205-20, "Presentation of Financial Statements – Discontinued Operations," which was not transferred to Mitsubishi Hitachi Power Systems Co. Ltd for the business integration in the thermal power generation systems with Mitsubishi Heavy Industries, Co., Ltd. The results of the discontinued operation are reported separately from continuing operations. In line with this classification, the results of the business for the year ended March 31, 2014 are reclassified as the discontinued. 2014 have been reflected.

4. Growth Strategy

- (1) Global Business Expansion: Expanding in the North American market
 - ① Business rollout in IoT (Internet of Things) market
 - ② Expand solutions using IT (analytics)

- (2) Service Business Expansion: Strengthening profitable service business
 - ① Expand long-term fee service business (Train and Energy)
 - ② Utilize telecommunication technology in social infrastructure field
⇒ Expand IoT service business
 - ③ Create new service business utilizing IT technology (analytics)
 - ④ Create new service business utilizing IT (analytics): China Smart Logistics
- Procurement Service, Procurement EDI (Electronic Data Interchange) Service, Logistics Service

- (3) Cost reductions through the Hitachi Smart Transformation Project:
Strengthen measures aimed at increasing cash
 - ① Reduction of SG&A and Cost of Sales (+100 billion yen)
 - ② Improve CCC (manufacturing, services and others)
5-days reduction (+130 billion yen)

5. Toward Social Innovation Business

- (1) Promote management and R&D close to customers (front-line)
 - ① Global management
 - Expand the Social Innovation Business by making management decisions in each region based on the market and customer needs
 - Start with 4 regions: North America, Europe, China and Asia
 - ② Global R&D
 - Reorganized global R&D structure
 - Established the Global Center for Social Innovation to share issues and develop with customers (Tokyo, North America, China, Europe)

- (2) Accelerate Global Collaborative Creation in the field of Social Infrastructure Business: CyberPoc^{*6}
Projects ongoing with customers in the field of manufacturing, natural resources, financial services, and biotechnology.

(3) Create solutions close to customers (front-line)

① Strengthen front-line capabilities

- Consolidate SI capabilities in financial, public and social sectors
- Establish solution-delivering business groups
(Healthcare Company and Energy Solutions Company)

② Collaborative creation with customers for value creation

③ Cultivate customers in the energy sectors

(4) Focus on industrial products business that support innovation:

Supply core products that support the Social Innovation Business

Consolidate our industrial products business

- Strengthen product competitiveness, Optimize sales, service, and production structures, and Invest in priority areas, etc..

(5) Business Portfolio Realignment :

Acquire necessary resources (customer base, sales channel, technologies) for growth, optimize business portfolios and increase revenue.

- Strengthen Front-line Function, Strengthen Analytics, Strengthen Product / Service

*6 Cyber-PoC: Cyber-Proof-of-Concept: Visualization simulator which supports customers' business creation

6. FY2015 and beyond

Solid execution of growth strategy and business restructuring

Improve financial performance to meet goals set in 2015 Mid-term Management Plan

Serving the World with Our Social Innovation Business

SOCIAL INNOVATION - IT'S OUR FUTURE

Cautionary Statement

Certain statements found in this document 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 document.

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

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- 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;
- rapid technological innovation;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- 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;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi’s ability to achieve the anticipated benefits of its strategy to strengthen its Social Innovation Business;
- uncertainty as to the success of acquisitions of other companies, joint ventures and strategic alliances and the possibility of incurring related expenses;
- uncertainty as to the success of restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- uncertainty as to the success of cost reduction measures;
- general socioeconomic and political conditions and the regulatory and trade environment of

countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;

- uncertainty as to the success of alliances upon which Hitachi depends, some of which Hitachi may not control, with other corporations in the design and development of certain key products;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity-method affiliates have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the potential for significant losses on Hitachi's investments in equity-method affiliates;
- the possibility of disruption of Hitachi's operations by natural disasters such as earthquakes and tsunamis, the spread of infectious diseases, and geopolitical and social instability such as terrorism and conflict;
- uncertainty as to Hitachi's ability to maintain the integrity of its information systems, as well as Hitachi's ability to protect its confidential information or that of its customers;
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its significant employee benefit-related costs; and
- uncertainty as to Hitachi's ability to attract and retain skilled personnel.

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

About Hitachi, Ltd.

Hitachi, Ltd. (TSE: 6501), headquartered in Tokyo, Japan, delivers innovations that answer society's challenges with our talented team and proven experience in global markets. The company's consolidated revenues for fiscal 2014 (ended March 31, 2015) totaled 9,761 billion yen (\$81.3 billion). Hitachi is focusing more than ever on the Social Innovation Business, which includes power & infrastructure systems, information & telecommunication systems, construction machinery, high functional materials & components, automotive systems, healthcare and others. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

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