

## FOR IMMEDIATE RELEASE

### Contacts:

Japan: Masahiro Takahashi

Hitachi, Ltd.

+81-3-5208-9323

masahiro.takahashi.rh@hitachi.com

U.K. Yuki Maeda

Hitachi Europe Ltd.

+44-1628-585714

yuki.maeda@hitachi-eu.com

## **Cost Structure Reform and Growth Strategies for Seven Businesses toward Achieving “2015 Mid-term Management Plan” Goals**

**Tokyo, June 11, 2015** – Hitachi, Ltd. (TSE: 6501) today announced its cost structure reform and growth strategies for seven businesses toward achieving the goals of its “2015 Mid-term Management Plan.” On May 14, 2015, Hitachi announced a progress of the “2015 Mid-term Management Plan.” The primary goals of this mid-term management plan are to promote achieving growth and Hitachi’s transformation driven by Social Innovation Business.

Revenues, adjusted operating income ratio, and EBIT ratio for FY2014 in IFRS<sup>\*1</sup> are unaudited.

### ■ Summary

#### 1. FY2014 Progress Overview and FY2015 Forecast

[Billions of yen]

	2015 Mid-term Management Plan Initial target (US GAAP)	FY2013 Result (US GAAP)	FY2014 Result (US GAAP)	FY2015 Forecast	
				(US GAAP)	(IFRS)
Revenues	10,000.0	9,563.7	9,761.9	9,900.0	9,950.0
Operating Income ratio <sup>*2</sup>	Over 7%	5.6 %	6.2 %	6.7 %	6.8 %
EBIT <sup>*3</sup> ratio	Over 7%	6.1 %	5.6 %	6.6 %	6.2 %
Net income attributable to Hitachi, Ltd. stockholders	Over 350.0	264.9	241.3	330.0	310.0
Stockholder’s equity ratio (Manufacturing, service and others)	Over 30%	27.4 %	27.3 %	29 %	29 %

## 2. Key Performance of Growth Strategy

[Billions of yen]

		FY2015 Initial target <sup>*4</sup>	FY2015 Forecast <sup>*4</sup>
1	Global business expansion (Overseas revenues ratio)	Over 50%	50%
2	Service business expansion (Service revenues ratio)	Over 40%	38%
3	Cost reductions through the Hitachi Smart Transformation Project (Cost reduction benefits <sup>*5</sup> )	400.0	420.0

## 3. Growth Strategy(1) Global Business Expansion(Overseas Revenues Ratio<sup>\*4</sup>)

	FY2012 Result	FY2013 Result	FY2014 Result	FY2015 Forecast
Total	41%	45%	47%	50%
Information & Telecommunication Systems	26%	30%	33%	36%
Power Systems	36%	36% <sup>*6</sup>	11% <sup>*6</sup>	11% <sup>*6</sup>
Infrastructure Systems	21% <sup>*7</sup>	24% <sup>*7</sup>	28% <sup>*7</sup>	29%
Rail Systems	26%	35%	38%	62%
Urban Planning and Development Systems	41%	52%	57%	59%
Hitachi Automotive Systems <sup>*8</sup>	50%	53%	56%	60%
Healthcare	-	57%	62%	61%

## 4. Growth Strategy(2) Service Business Expansion(Service Revenues Ratio<sup>\*4</sup>)

	FY2012 Result	FY2013 Result	FY2014 Result	FY2015 Forecast
Total	30%	32%	35%	38%
Information & Telecommunication Systems	60%	62%	64%	Over 65%
Power Systems	-	25% <sup>*6</sup>	36% <sup>*6</sup>	44% <sup>*6</sup>
Infrastructure Systems	28% <sup>*7</sup>	29% <sup>*7</sup>	29% <sup>*7</sup>	29%
Rail Systems	-	8%	11%	11%
Urban Planning and Development Systems	45%	37%	33%	33%
Healthcare	-	21%	23%	23%

### 5. Growth Strategy(3) Cost Reductions through the Hitachi Smart Transformation Project (Cost Reductions Benefits <sup>\*4</sup>)

[Billions of yen]

	FY2011 Result	FY2012 Result	FY2013 Result	FY2014 Result	FY2015 Forecast	Cumulative total vs FY2010
Total	35.0	75.0	110.0	100.0	100.0	420.0
Information & Telecommunication Systems	5.0	7.0	16.0	14.5	22.5	65.0
Power Systems	1.5	23.0	10.0	9.0	9.5	53.0
Infrastructure Systems	4.0 <sup>*7</sup>	9.0 <sup>*7</sup>	11.5 <sup>*7</sup>	9.5 <sup>*7</sup>	8.0	42.0
Rail Systems	0.5	2.0	1.0	2.0	4.5	10.0
Urban Planning and Development Systems	0.0	1.0	7.0	10.5	6.5	25.0

### 6. Growth Strategy(3) Cost Reductions through the Hitachi Smart Transformation Project (CCC<sup>\*9</sup> Improvement<sup>\*4</sup>)

[Days]

	FY2012 Result	FY2013 Result	FY2014 Result	FY2015 Forecast
Total <sup>*10</sup>	79.2	81.3	81.5	76.5
Information & Telecommunication Systems	68.1	67.0	67.5	62.2
Power Systems <sup>*10</sup>	- <sup>*11</sup>	112.3	123.1	110.0
Infrastructure Systems	79.5 <sup>*7</sup>	84.7 <sup>*7</sup>	87.8 <sup>*7</sup>	97.1
Rail Systems	94.1	118.7	111.0	110.2
Urban Planning and Development Systems	- <sup>*11</sup>	47.1	46.5	46.7
Hitachi Automotive Systems	37.3	40.5	40.5	42.3

## ■ Cost Structure Reform : Hitachi Smart Transformation Project

	FY2011 Result	FY2012 Result	FY2013 Result	FY2014 Result	FY2015 Forecast
Cost reduction benefits (Cumulative total vs FY2010) <sup>*4</sup> [Billion yen]	35.0	110.0	220.0	320.0	420.0
CCC <sup>*4*9</sup> [Days]	-	79.2	81.3	81.5	76.5

### 1. Vision

Transform to a globally competitive structure

### 2. Specific Activities to Achieve the Targets of 2015 Mid-term Management Plan

Achieve further transformation to establish a business structure that can stay on top of changes in the operating environment

#### (1) Cost structure reform

##### [1] Reduction of cost of sales

- Strengthen ability to reduce cost of sales in anticipation of changes in the operating environment
- Strengthen project management

##### [2] Reduction of SG&A<sup>\*12</sup>

- Optimize the global workforce

#### (2) CCC reform

##### [1] Reduction of inventories

- Establish a core value chain that can instantly adapt to supply-demand dynamics

##### [2] Improvement of accounts receivable/payable turnover

- Strengthen cash flow management

#### (3) Establish a business base to support growth

##### [1] Work process reforms / Develop a global IT platform

- Establish operations and IT services to support the Social Innovation Business

## ■ Growth Strategies for Seven Businesses

### 1. Information & Telecommunication Systems Business

#### 1-1. FY2014 Results and Forecasts for FY2015

[Billions of yen]

	FY2014 Result		FY2015 Forecast	
	US GAAP	IFRS	US GAAP	IFRS
Revenues	2,032.1	2,034.0	2,100.0	2,100.0
Operating income ratio <sup>*2</sup>	5.7%	6.6%	6.7%	7.5%
EBIT ratio	4.6%	5.2%	6.3%	6.9%
Amount of orders received	2,119.9	-	2,172.0	-

#### 1-2. Business Policy and Vision

- Continue growth, establish a business model with earnings power, and generate steady earnings by completing business portfolio transformation
- Establishing position as a major global player and further growth

#### 1-3. Growth Strategy

##### (1) Expansion of the Social Innovation Business

- Expand services business with focus on Big Data utilization and IoT (Internet of Things)
- Secure investment resources maximizing operating cash flows, and continue priority investments in core fields
- Expand the Social Innovation Business centered on new management structure in North America

##### (2) Expansion of system solutions business

- Complete large SI projects and acquire new projects by strengthening front-line
- Expand highly profitable services business

##### (3) Acceleration of platform business portfolio reform

- Strengthen services platform
- Execute structural reforms (FY2015 expenses: approx. 10 billion yen)

##### (4) Global business plan

- Establish autonomous decentralized global management structure by developing North American model to other regions

## 1-4. Hitachi Smart Transformation Project

### (1) Cost reduction

#### [1] SG&A

- Optimization of costs within the Hitachi Group
  - IT system integration
  - Simplifying internal transactions within the Group
- Execution of reforms in in-direct operations from a consolidated viewpoint

#### [2] Costs

- Reduction of manufacturing costs and procurement costs by new high-efficient manufacturing lines, components standardization
  - Reduce the number of component items by approx. 60% compared with FY2013
- Accelerating cost reduction for SI
  - Increase internal production rate

### (2) Cash generation

- Enhancing business efficiency by implementing SCM and cash flow reform projects
- Execution of strategic investment and strengthening return gaining
- Effectively utilizing assets and reduce total assets

## 2. Power Systems and Energy Solutions Business

### 2-1. FY2014 Results, Forecasts for FY2015, and Targets for FY2020

[Billions of yen]

	FY2014 Result <sup>*6</sup>		FY2015 Forecast <sup>*6</sup>		FY2020 Target <sup>*6</sup>
	US GAAP	IFRS	US GAAP	IFRS	IFRS
Revenues	472.6	466.7	460.0	460.0	800.0
EBIT ratio	-0.6%	0.8%	5.0%	5.9%	15.0%
Amount of orders received	512.7	-	500.0	-	-

### 2-2. Enhancement Measures of Transmission & Distribution Business

#### (1) Boldly implement business structure reform

- Develop a resilient business framework in Japan, centered on mother factories
- Streamline and strengthen overseas sites

#### (2) Relentlessly strengthen product competitiveness

- Accelerate product development by enhancing the development framework
- Strengthen and accelerate cost-cutting activities through global procurement
- Optimize global SCM

## **2-3. Business Strategy**

Provide solutions to all customers in the energy value chain

- Energy solutions based on collaborative creation that are tailored to the new market
- Highly reliable systems and key components aimed at the power infrastructure market

## **2-4. Growth Strategy for the Energy Solutions Business**

### **(1) Established the Energy Solutions Company**

- Stay on top of changes in business models and customer needs in the market
- Enhance market-oriented front engineering functions

### **(2) Energy Solutions Business policy**

Establish a global position by vertically starting up IT-driven businesses

- Energy solutions market : Provide optimal solutions by integrating “OT” and “IT”
- Components markets : Strengthen core product competitiveness and counter intensified competition

### **(3) Responding to the growing adoption of renewable energy**

- Provide optimal solutions based on collaborative creation by integrating “OT” and “IT” (Photovoltaic power generation systems, wind power generation systems)

### **(4) Addressing grid stabilization**

- Grid stabilization systems in response to growing adoption of renewable energy (Cross-regional grid stabilization systems, energy storage systems)

### **(5) Responding to electricity system reforms**

- Develop a system for the Organization for Cross-regional Coordination of Transmission Operators, Japan that supports the inter – regional use of electricity
- Expand the solution business in response to the increase in PPSs (Power Producer and Suppliers)

### **(6) New energy services through symbiotic autonomous decentralization**

- Achieve small to large-scale micro grids according to customer needs
- Provide services according to various environment and other needs through symbiotic autonomous decentralization

## **2-5. Strategy of Power Infrastructure Business for Generating Higher Earnings in the Next Growth Stage**

### **(1) Nuclear power business**

- Japan : Facilitate the resume operations of nuclear power plants and the restoration of the Fukushima Daiichi Nuclear Power Plant, while prioritizing safety
- Overseas : Extend global management and expand business (UK : Horizon Nuclear Power project, Lithuanian project)

- (2) Power generation solutions business
  - Ensure solid revenues and earnings through power generation solutions and preventive maintenance
  - Shift emphasis from product businesses involving power generation facilities to related solutions businesses
- (3) Strengthen the service business
  - Expand business and generate high earnings, by developing advanced service business and utilizing IT systems

## 2-6. Hitachi Smart Transformation Project

- (1) Cost reduction
  - [1] Production cost
    - Upgrade production technologies of global manufacturing bases
    - Strengthen development capabilities in core production technology at mother factories
  - [2] Direct materials cost
    - Rebuild global supply chain and expand overseas procurement ratio
  - [3] Indirect cost
    - Conduct far-reaching business process reforms and raise efficiency by boldly implementing business structural reforms
    - Continuous review of business operations, SG&A and fixed cost reduction activities
- (2) Cash generation
  - Visualization of cash flows by adopting IT system
  - Optimize delivery periods for projects subject to process revisions
  - Bring forward revenue recognition and generate cash inflow by means including entering into formal contracts at an early stage

## 3. Infrastructure Systems Business<sup>\*13</sup>

### 3-1. FY2014 Results, Forecasts for FY2015, and Targets for FY2018

[Billions of yen]

	FY2014 Result <sup>*7</sup>		FY2015 Forecast		FY2018 Target
	US GAAP	IFRS	US GAAP	IFRS	IFRS
Revenues	790.9	790.8	816.7	813.6	1000.0
Operating income ratio <sup>*2</sup>	3.1%	3.7%	5.0%	5.3%	8%
EBIT ratio	4.6%	5.1%	4.5%	4.9%	-
Amount of orders received	769.8	-	890.0	-	-



### **3-2. FY2015 Initiatives**

- (1) Improve profitability
  - Convert business portfolio and expand products' revenues
- (2) Optimize cost structure
  - Continue and strengthen the Hitachi Smart Transformation Project

### **3-3. Medium-to Long-term Strategies for Growth**

Aim to become global major player in the social & industrial infrastructure market

#### **Competitive Strategies**

Business development leveraging collaborative creation with customers, as well as strengths in IT, control and products

- (1) Create new businesses by collaborative creation with customers
  - Solve customers' issues by leveraging IT, control and manufacturing capabilities, and expertise
- (2) Provide total solutions
  - Pharmaceutical : Provide high-quality and high- reliability support for pharmaceutical manufacturing in the growing bio-pharmaceutical markets
  - Mining : Support increased efficiency of overall mining operations from Pit to Port
- (3) Multi-pronged development of core technologies & solutions into growth markets
  - Water : Environment Multi-pronged development of advanced water treatment technology
- (4) Strengthening products business that supports the Social Innovation Business
  - Established Industrial Products Company
    - A strong business framework that can compete in the industrial field by products alone
    - A business framework that generates stable earnings and cash
    - Provide core products that support the solutions & services business
  - Bolster global competitiveness by unified operation of products business
    - Develop an integrated business strategy covering small to large products
    - Prioritize strategic investment and resource allocation

### **3-4. Hitachi Smart Transformation Project**

- (1) Cost reduction
  - Add hub functions to important manufacturing, EPC<sup>\*14</sup> and service bases to strengthen the global supply chain
  - Expand overseas procurement and centralized purchasing and strengthen engineered sourcing to reduce the variable cost ratio
  - Rightsize workforce, etc.

(2) Cash generation

- Seamlessly improve efficiency of business processes end to end, ranging from quotations to services
- Implement cash flow management in individual projects and organization units

## 4. Rail Systems Business

### 4-1. FY2014 Results and Forecasts for FY2015

[Billions of yen]

	FY2014 Result		FY2015 Forecast	
	US GAAP	IFRS	US GAAP	IFRS
Revenues	171.4	167.4	200.0	200.2
Operating income ratio <sup>*2</sup>	4.6%	4.8%	7.5%	8.1%
EBIT ratio	7.5%	8.9%	7.5%	8.1%
Amount of orders received	479.9	-	180.0	-

### 4-2. Business Strategy

(1) Implementation of a global organisation

- Implementing the new global organisation
- Expand existing bases
- Develop market localisation

(2) Transformation of the business model / portfolio

- Reshape the business portfolio
- Expand and enhance the product portfolio

(3) Innovation

- Total rail systems solutions
- Intensive R&D investment

### 4-3. The Acquisitions Support Further Growth and Success (Ansaldo STS and Ansaldo Breda)

(1) Key strengths and capabilities of Ansaldo STS

- Proven ability to win new orders
- Unique technological expertise
- Successful completion of some of the most complex and critical projects including turn-key

(2) Key strengths and capabilities of Ansaldo Breda

- Engineering and construction capabilities
- Global references
- Strong positioning in mass transit (driverless)

(3) The aim of acquisition

- Reach scale / critical mass : Acquire business volumes and manufacturing capacity
- Lead sector consolidation : Become an active player in the competitive arena (vs. reactive to competitors' moves)
- Strategic alignment : Implementation of a global organization, transformation of the business model / portfolio, and innovation – forefront of technological development

#### 4-4. Hitachi Smart Transformation project

Cash generation

- Reduction of lead time
- Vendor Managed Inventory
- Global supply chain management
- Strategic investment with high return
- Intensive post-investment monitoring

### 5. Urban Planning and Development Systems Business

#### 5-1. FY2014 Results and Forecasts for FY2015

[Billions of yen]

	FY2014 Result		FY2015 Forecast	
	US GAAP	IFRS	US GAAP	IFRS
Revenues	619.3	622.8	653.0	653.0
Operating income ratio <sup>*2</sup>	9.6%	9.5%	10.0%	10.1%
EBIT ratio	9.7%	9.5%	10.0%	10.1%

#### 5-2. Business Policy

- (1) Intensively allocate investments and resources
  - Intensively allocate business resources in key markets
  - Strengthen cash flow management in mature markets
- (2) Strengthen Asian and Middle East businesses
  - Establish business base alongside Japan and China
  - Expand business in India, that is a growing market
  - Accelerate development of sales, installation, maintenance and production systems
- (3) Strengthen brand
  - Promote world's fastest high-end elevators
  - Differentiate products by enhancing safety and quality
  - Regional branding through "One Hitachi"

### **5-3. Growth Strategy**

#### **(1) Regional business strategy**

- [1] Expand global footprint Strengthen mother factory functions
  - Establish a value chain as a basis for business strategy
- [2] China strategy : Maintain the No.1 position in China
  - Drive expansion across all aspects of business, from new installations to maintenance services
- [3] Growth strategy in Asia and Middle East based on market characteristics
  - Growing market (Thailand, Myanmar, Vietnam, India, UAE etc.) :  
Expand new installation sales by increasing the number of bases
  - Mature market (Singapore, Malaysia, Hong Kong etc.) :  
Improve operating efficiency of maintenance and modernization business
- [4] Japan strategy : Establish a business framework that is able to respond to market changes
  - Optimally allocate resources in response to modernization and large-scale redevelopment
  - Improve efficiency of elevator and escalator maintenance•Strengthen the services business

#### **(2) Product strategy**

- Promote standardization and the creation of business through the use of IT
  - Global product development
  - Expand the services business by applying IT capabilities

### **5-4. Hitachi Smart Transformation project**

#### **(1) Cost reduction**

- [1] Production cost
  - Improve production efficiency by centralizing production of common components
  - Expand applications of modular design
- [2] Direct materials cost
  - Expand global procurement
  - Strengthen cost planning, and strategic procurement
- [3] Indirect cost
  - Unify global IT platform
  - Promote improvements in indirect operations through business structure reforms in Japan

#### **(2) Cash generation**

Increase asset efficiency for increasing new installation sales in China

- Improve inventory stock turnover days
- Strengthen installation capabilities for coping with increased new installation sales

## 6. Automotive Systems Business

### 6-1. FY2014 Results, Forecasts for FY2015, and Targets for FY2018

[Billions of yen]

	FY2014 Result		FY2015 Forecast		FY2018 Target
	US GAAP	IFRS	US GAAP	IFRS	IFRS
Revenues	936.9	936.9	1,000.0	1,000.0	1,200.0
Operating income ratio <sup>*2</sup>	6.0%	5.1%	7.0%	6.8%	7.3%
EBIT ratio	3.7%	3.7%	7.0%	7.0%	7.5%

### 6-2. Business Policy

Aiming to further develop vehicle mobility technologies in the fields of environment, safety, and information to create value for society

### 6-3. Business Strategy

Execute 3 core strategies to achieve a robust management foundation and firm growth

- (1) Increase efficiency of internal combustion engines and develop systems for electrically-driven technology and autonomous driving
  - Maintain and expand high global share while striving for high growth with core products in the environment and safety fields
  - Expand business through acceleration of implementation of innovations in electronically-controlled and electrically-driven technologies
  - Improvement of system capabilities and insurance of quality reliability through vertical integration within the group
  - Connecting vehicles and society, achieving autonomous driving will bring the user merits of high reliability and a variety of services
- (2) Execute strategy of customer diversity
  - Account expansion to exceed 10% share
  - Strengthen global sales technology
- (3) Expand global footprint
  - Americas : Leveraging synergies within U.S. and full-fledged start of Mexican business
  - China : Strengthen regional integration and expand business centered on new Guangzhou base
  - Europe : Strategically approaching Headquarters of European Customers having high shares in emerging countries.
  - Asia : Expanded revenues and earnings by tackling growth in ASEAN and Indian markets

## 6-4. Hitachi Smart Transformation Project

### (1) Cost reduction

- Strengthen aftermarket business
- Continue global production reforms
- Based on Industrie 4.0 trends, expand the global quality guarantee management system
- Global procurement reform

### (2) Cash generation

- Expand business globally
- Increase sales of electronics products
- Strengthen industrial-use product business:
- Strengthen capital investment for internal production through industrial machinery bases in four overseas strategic regions.

## 7. Healthcare Business

### 7-1. FY2014 Results, Forecasts for FY2015, and Targets for FY2018

[Billions of yen]

	FY2014 Result	FY2015 Forecast		FY2018 Target
	US GAAP <sup>*15</sup>	US GAAP <sup>*15</sup>	IFRS <sup>*16</sup>	IFRS <sup>*16</sup>
Revenues	337.9	360.0	360.0	600.0
Operating income ratio <sup>*2</sup>	5.7%	7.2%	7.1%	10%
EBIT ratio	5.4%	7.2%	7.1%	10%

### 7-2. Hitachi's Healthcare Business Vision

Healthcare Innovation for an Efficient and Improved Quality of Healthcare

### 7-3. Growth Strategy

- (1) Diagnostics & Clinical (Medical imaging systems, particle beam therapy systems)
  - Expand business through co-creation with customers and outstanding technology
  - Strengthen and establish technology a global brand
- (2) Testing & Reagents (Specimen analysis devices, sample transport systems)
  - Expand the clinical chemistry and immunodiagnostic business and enter the bacterial and genetic testing market
    - Strengthen development of innovative products
    - Promote collaboration with pharmaceutical companies having strong global presence
- (3) Informatics (Services, platforms)
  - Expand business centered on analytics

- Co-create new services with customers
- (4) Care Cycle Innovation
  - Concentrate on the priority therapy domains and create solutions supporting the care cycle
- (5) Regenerative Medicine
  - Provide cell cultivation solutions as the Hitachi Group

#### **7-4. Hitachi Smart Transformation Project**

- (1) Cost reduction
  - [1] Production cost
    - Osaka works consolidated into Kashiwa works
    - Raise operation rates at Suzhou works in China
  - [2] Direct materials cost
    - CT : Increase application rate of self-manufactured tube
    - MRI : Reduce costs of self-manufactured magnet
  - [3] Indirect cost
    - Healthcare unit management and BPR<sup>\*17</sup>
- (2) Cash generation
  - Improve CCC:  
149 days (FY2011/Hitachi Medical) → 142 days (FY2015)
  - Reconstruction of global supply chain management
  - Establish a Global Logistics Center

#### **7-5. Growth Strategy for FY2018**

- (1) Create cash with enhancement of management practices
  - Integrate management system centered by the Healthcare Company
  - Continue the Hitachi Smart Transformation Project approach
- (2) Strategic R&D investment
  - Invest 140 billion yen (FY2015 - 2018)
  - Focus on unrivaled technology (e.g. Semiconductor probe, Next generation PBT systems)
  - Co-innovate globally and strengthen R&D on application area
- (3) Take advantage of growing market
  - Drive “Social Innovation Business” in North America, and develop it to other areas
  - Prioritize sales investments (i.e. China, APAC (Asia Pacific) )
  - Strengthen global value chain (e.g. China, India)
- (4) Strategic investment
  - Grow the top line with M&A in focused area
  - Expand service business (e.g. Outsourcing business model)

## ■ Notes

- \*1 IFRS: International Financial Reporting Standards
- \*2 “Operating income ratio” is presented as “Adjusted operating income ratio” in IFRS (an “Adjusted Operating Income” presented as revenues less cost of sales as well as selling, general and administrative expenses).
- \*3 EBIT: Earnings Before Interest and Taxes (Net earnings before interest income and payment interest adjustments)
- \*4 US GAAP
- \*5 Cumulative total from FY2011 to FY2015 vs FY2010
- \*6 Excludes discontinued operations
- \*7 Excluding the portion transferred to Information & Telecommunication Systems Company
- \*8 Overseas revenue ratio for global customer bases
- \*9 Cash Conversion Cycle of manufacturing, services and others
- \*10 Power Systems does not include discontinued operations. Total includes discontinued operations.
- \*11 A part of Thermal Power Business transferred into Mitsubishi Hitachi Power Systems, Ltd. in FY2013, and Urban Planning and Development Systems transferred solution business into Infrastructure Systems in FY2013. The impact of this business restructuring is large, so from the standpoint of continuity, the figures of CCC in 2012 were left out.
- \*12 SG&A: Selling, General & Administrative expenses
- \*13 The Infrastructure Systems Business figures are the simple sum of two companies: the Infrastructure Systems Company and Hitachi Industrial Equipment Systems Co., Ltd. A certain amount of revenues, operating income, EBIT and amount of orders received of the Infrastructure Systems Company is included in the Information & Telecommunication Systems Company, the Power Systems Company and the Rail Systems Company.
- \*14 EPC: Engineering, Procurement and Construction
- \*15 Managerial accounting consolidation based on US GAAP
- \*16 Managerial accounting consolidation based on IFRS
- \*17 BPR: Business Process Re-engineering

## 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>.

## 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.

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