Healthcare Business Strategy

Hitachi IR Day 2015

June 11, 2015
Masaya Watanabe

Vice President and Executive Officer,
President & CEO of Healthcare Group and Healthcare Company
Hitachi, Ltd.
Healthcare Business Strategy

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1. Business Overview
2. Vision
3. Growth Strategies
4. Global Development
5. Business Structure and Growth Investment
6. Conclusion
1-1. Vision and Business Fields

To build a society in which everyone can live in good health, safety and secure

- **Diagnostics & Clinical**
  - Medical imaging Systems (Ultrasound, MRI, others)
  - Particle Beam Therapy Systems

- **Testing & Reagents**
  - Specimen Analysis Devices
  - Sample Transport Systems

- **Informatics**
  - Services
  - Platforms
1-2. Business Overview

Global business development centered on three core domains
FY2014 revenues 337.9 billion yen

Revenues breakdown (based on US GAAP)

<table>
<thead>
<tr>
<th>By business field</th>
<th>Diagnostics &amp; Clinical</th>
<th>Testing &amp; Reagents</th>
<th>Informatics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>43%</td>
<td>37%</td>
<td>20%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By company</th>
<th>Healthcare Company</th>
<th>Hitachi High-Technologies*, Others</th>
<th>Information &amp; Telecommunication Systems Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>51%</td>
<td>33%</td>
<td>16%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By region</th>
<th>Overseas 62%</th>
<th>Japan 38%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>North America 15%</td>
<td>Europe 32%</td>
</tr>
<tr>
<td></td>
<td>China &amp; Asia, others 15%</td>
<td></td>
</tr>
</tbody>
</table>

* Part of the Hitachi High-Technologies Science & Medical Systems segment
# 1-3. 2015 Mid-term Management Plan progress

<table>
<thead>
<tr>
<th></th>
<th>FY2013 (US GAAP)*1</th>
<th>FY2014 (US GAAP)*1</th>
<th>FY2015 (Forecast) (US GAAP)*1</th>
<th>(IFRS)*2</th>
<th>Year over Year (US GAAP)*1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>326.7 billion yen</td>
<td>337.9 billion yen</td>
<td>360.0 billion yen</td>
<td>360.0</td>
<td>+22.1 billion yen (107%)</td>
</tr>
<tr>
<td><strong>EBIT Ratio</strong></td>
<td>5.2% (6.3%)</td>
<td>5.4% (5.7%)</td>
<td>7.2% (7.2%)</td>
<td>7.1%</td>
<td>+1.8% (+1.5%)</td>
</tr>
<tr>
<td><strong>Overseas revenue ratio</strong></td>
<td>57%</td>
<td>62%</td>
<td>61%</td>
<td>61%</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>Service revenue ratio</strong></td>
<td>21%</td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
<td>±0%</td>
</tr>
</tbody>
</table>

*1 Managerial accounting consolidation based on US GAAP
*2 Managerial accounting consolidation based on IFRS
*3 “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)
1-4. Main Progress in FY2014

**Management structure**
- **Apr. 2014**
  - Made Hitachi Medical a wholly-owned company
  - Established Healthcare Company (Integrating healthcare-related businesses)

**Business growth**
- **Apr. 2014**
  - In vitro diagnostics business alliance agreement between Hitachi High-Technologies and Roche extended for another 10 years
  - Ultrasound platform **ARIETTA** launched for sale
- **Sep. 2014**
  - First order received for heavy ion beam therapy system (Osaka)
- **Oct. 2014**
  - Support for local comprehensive care of the elderly
  - Began operating a municipal cloud solution for Kasama City, Ibaraki Prefecture
  - Received medical regulatory approval for proton beam tumor tracking and spot-scanning irradiation technology
- **Feb. 2015**
  - Hitachi Data Systems announced the acquisition of Pentaho Corporation, a U.S. big data analytics firm (acquisition completed on May 29)
- **Mar. 2015**
  - Participation in NEDO’s demonstration project for conserving energy at hospitals in India
- **Apr. 2015**
  - Consolidated functions of Hitachi Medical and Hitachi Aloka Medical into Healthcare Company
  - Started NHS GM proof of concept level testing of a Hitachi informatics service for guidance in preventing diabetes
  - 64-slice **Supria Grande** multi-slice CT scanner launched for sale
- **Oct. 2015**
  - Participation in NEDO’s demonstration project for conserving energy at hospitals in India

**Globally expand solutions**
- **FY2015**
  - Started NHS GM proof of concept level testing of a Hitachi informatics service for guidance in preventing diabetes
  - Participation in NEDO’s demonstration project for conserving energy at hospitals in India
  - 64-slice **Supria Grande** multi-slice CT scanner launched for sale

**Strengthen core business**
- **Apr. 2014**
  - In vitro diagnostics business alliance agreement between Hitachi High-Technologies and Roche extended for another 10 years
  - Ultrasound platform **ARIETTA** launched for sale

**NHS GM : National Health Service Greater Manchester**

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### 2-1. Healthcare Environment Trends

#### Change in the healthcare environment

- **Advanced countries:** Aging population and an increased incidence of chronic diseases
- **Emerging countries:** Regional inequality in the level of healthcare as a result of differences in economic growth
- **Growth:** Averaging 5% a year in the healthcare technology market (medical equipment, testing and reagents, informatics)

#### Issues to be addressed

<table>
<thead>
<tr>
<th>Quality improvement of healthcare</th>
<th>Improvement of clinical value</th>
<th>Advanced healthcare</th>
<th>Personalized healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streamlining of healthcare</td>
<td>Improvement of hospital management</td>
<td>Coordination among regional healthcare institutions</td>
<td>Develop healthcare infrastructure</td>
</tr>
</tbody>
</table>
2-2. Hitachi’s Healthcare Business Vision

Healthcare Innovation for an Efficient and Improved Quality of Healthcare

Care cycle innovation
- Prevention & Checkup
- Screening & Diagnosis
- Therapy & Treatment
- Prognosis & Elderly care

Medical innovation
- Patients
- Government & Municipalities
- Insurers
- Medical Care Providers

Diagnostics & Clinical
Testing & Reagents
Informatics

Healthcare
- Energy
- Water & Resources
- Logistics
- Cities
- Manufacturing & Construction
- Financing
- Transportation

Social Innovation Business
To be a globally-leading company realizing healthcare innovation, centered on core domains of “Diagnostics & Clinical” “Testing & Reagents” “Informatics”

Formulated based on IR materials of the companies (for FY2014 for companies A through D. Circles in the graph are in proportion to revenues)
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## 3-1. Overview of Growth Strategies

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<thead>
<tr>
<th>Status quo position</th>
<th>Business strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Medical Imaging Systems</strong></td>
<td><strong>Focus efforts on global leading businesses</strong></td>
</tr>
<tr>
<td>● Ultrasound: No. 1 market share in Japan</td>
<td>● Ultrasound: No. 1 global market share</td>
</tr>
<tr>
<td>● MRI: Differentiation with open MRI</td>
<td>● MRI: Global top 3</td>
</tr>
<tr>
<td>● Particle beam therapy: Top 3 market share</td>
<td>● Particle beam therapy: Global No.1</td>
</tr>
<tr>
<td><strong>Particle Beam Therapy Systems</strong></td>
<td><strong>Strengthen existing business</strong></td>
</tr>
<tr>
<td>● Clinical chemistry &amp; immunodiagnostic analyzers: Top market share</td>
<td>● Expand clinical chemistry &amp; Immunodiagnostic analyze business</td>
</tr>
<tr>
<td>● Allergy testers: Top market share</td>
<td>● Provide total solutions with testing laboratory engineering</td>
</tr>
<tr>
<td>● Automated clinical laboratory systems: No. 1 market share in Japan</td>
<td>Growth through expansion in new domains</td>
</tr>
<tr>
<td><strong>Specimen Analysis Devices</strong></td>
<td>● Enter the bacterial and genetic testing market</td>
</tr>
<tr>
<td><strong>Sample Transport Systems</strong></td>
<td><strong>A global analytics business</strong></td>
</tr>
<tr>
<td><strong>Informatics</strong></td>
<td>● Expand the data health business</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>● Co-creation with customers</td>
</tr>
<tr>
<td>● Co-creation of a diabetes prevention Service with the British NHS</td>
<td><strong>Care cycle innovation</strong></td>
</tr>
<tr>
<td>● Completed the acquisition of Pentaho Corporation</td>
<td><strong>Medical innovation</strong></td>
</tr>
<tr>
<td>● Cloud solutions for healthcare: HCR</td>
<td><strong>Diagnostics &amp; Clinical Systems</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diagnostics &amp; Clinical Testing &amp; Reagents</th>
<th>Medical Imaging Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Informatics</strong></td>
<td><strong>Particle Beam Therapy Systems</strong></td>
</tr>
<tr>
<td><strong>Platforms</strong></td>
<td><strong>Specimen Analysis Devices</strong></td>
</tr>
<tr>
<td><strong>Testing &amp; Reagents</strong></td>
<td><strong>Sample Transport Systems</strong></td>
</tr>
</tbody>
</table>
3-2. Diagnostics & Clinical

Expand business through co-creation with customers and outstanding technology
Strengthen and establish technology as a global brand

Revenues [Billion yen]
146.6 (FY2014) → 160.0 (FY2015)

Medical Imaging Systems

To make Ultrasound business global No. 1

- Accelerate development by clinical department (Cardiovascular, Obstetrics and Gynecology, Radiology)
- Major new products in FY2015
  - Two new models: one for POC and the other a compact model for the operating room
  - 3D probe and semiconductor probe (cMUT) for cardiovascular use

To make MRI business global top 3

- In addition to the top market share in open MRI, strengthen competitiveness in tunnel MRI (product name: OVAL)
- Strengthen diagnostic apps for each clinical department
  - MRI uploaded with highly-functional clinical apps for diagnosing Parkinson’s syndrome and other disorders (April, 2015)

Ultrasound apps for each clinical department

<table>
<thead>
<tr>
<th>Cardiovascular Dept.</th>
<th>Obstetrics and Gynecology</th>
<th>Radiology</th>
</tr>
</thead>
<tbody>
<tr>
<td>3D transesophageal probe</td>
<td>Transvaginal probe</td>
<td>cMUT probe</td>
</tr>
<tr>
<td>Myocardial perfusion analysis</td>
<td>Embryonic heart diagnosis</td>
<td>Elastography</td>
</tr>
</tbody>
</table>

New highly-functional 1.5T app for MRI

ECHELON OVAL type ORIGIN5

G1 | G2 | G3

POC : Point of Care
cMUT : capacitive Micro-machined Ultrasonic Transducers

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### 3-2. Diagnostics & Clinical ②

#### To make particle beam therapy business global No. 1

**Scheduled to be up and running in FY2015**

<table>
<thead>
<tr>
<th>Healthcare Company</th>
<th>Hitachi’s competitive advantages</th>
</tr>
</thead>
</table>
| **Mayo Clinic** (Minnesota, Arizona) | **① Unrivaled technologies**  
- Spot-scanning radiation technology  
- Real-time tracking radiation technology |
| **St. Jude Children’s Research Hospital** (Tennessee) | **② Track record with leading hospitals globally**  
- Received orders from total 12 hospitals (accumulated)  
- Over 10 thousands treatment records worldwide (As of Apr. 2015, Hitachi’s estimation) |
| **New orders received** | **③ Capable of responding to wide-ranging needs**  
- Proton beam, heavy ion beam, and X-ray  
- Compact standard (One-room) models  
- Financing |
| Osaka heavy ion beam Cancer treatment facility (tentative name) | PROBEAT-RT proton beam cancer therapy system  
Together with Hokkaido University received the special award from the panel of judges at the 44th Japan Industrial Technology Awards* |
| Major U.S. hospital (proton beam therapy facility) | |

*Main sponsor: Nikkan Kogyo Shimbum Ltd.*
3-3. Testing & Reagents

Hitachi High-Technologies and Healthcare Company

- 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

Clinical Chemistry and Immunodiagnostic Business

- Promote the system solution business
  - Package new models of automated clinical laboratory systems with modular automated clinical analyzers
  - Total engineering of clinical testing

Bacterial and Genetic Testing Business

- Strengthen Product Development
  - Launch sales in Japan of U.S. rapid bacterial testing systems
  - Develop a completely automated system from pretest sample processing to clinical testing
  - Develop a next-generation DNA sequencer targeting the genetic testing market

Revenues [Billion yen] 126.6(FY2014) → 130.0(FY2015)
3-4. Informatics

Expand business centered on analytics
Co-create new services with customers

New services based on analytics

Begin proof of concept level testing of a service for guidance in preventing diabetes with the British NHS Greater Manchester in FY2015

Hitachi  
Analytics

NHS  
Clinical knowledge

Diagnostic support for realizing personalized care

Support for local comprehensive care of the elderly

Cloud solutions for municipalities  
Care stations and hospitals share municipal data securely on required care ratings for use around the clock and in emergencies caring for the elderly

Strengthens the data platform

HCR healthcare data cloud service centralize management of genomic information in support of treatment

Utilize the analytics tools of Pentaho Corp. of the U.S.  
Global development of big data analytics

Revenues [Billion yen]  
64.7 (FY2014) → 70.0 (FY2015)

33% cost reduction at the time of guidance plan formulation

Data center

< Kasama city, Ibaraki prefecture >

Proprietary Cryptographic communication

Hospitals

Clinics

Dentists

Care stations

5

40

32

50

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3-5. Care Cycle Innovation

Concentrate on the priority therapy domains and create solutions supporting the care cycle

Globally develop intelligent operating rooms

- Surgery performed while confirming brain tumors on MRI images
  - Increase 5-year survival rate
- Development in North America and elsewhere leveraging Hitachi’s strong track record in Japan
  - 11 units in Japan, order received in April from Kagawa University

Open MRI

Before surgery  During surgery  After surgery

Support cancer treatment plans with analytics

- Joint research with major hospitals in the U.S.
  - Streamline database compilation with natural language processing
  - Support the formulation of effective treatment plans with analytics
- Start developing from North America with particle beam therapy customers as a business base

Realize particle beam therapy with few side effects

U.S. major hospitals, others (Cancer treatment centers)
Provide cell cultivation solutions as the Hitachi Group

The Hitachi Group’s businesses and technologies in regenerative medicine

- Hospitals
- Clinical testing equipment
- Hitachi High-Technologies
- Pre-op and post-op diagnostic equipment
- Healthcare Company
- Cells
- Transplant
- Transport
- Cell cultivation and processing
- Cell treatment facilities
- Infrastructure Systems Company
  - Clean room
  - Cultivation facilities
  - Cultivation control system
  - Testing equipment
- Automated cultivation technology
- R&D Group
  - Highly sterile and isolated automated cultivation Equipment

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3-6. Regenerative Medicine

Healthcare Company, Infrastructure Systems Company, Hitachi High-Technologies, Others

* Result of joint research with the Ministry of Education, Culture, Sports, Science and Technology’s “Center for Integration and Advancement of Frontier Technology in Regenerative Medicine” Program for the Establishment of Creative Centers of Integration and Innovation in Frontier Technology, the New Energy and Industrial Technology Development Organization (NEDO)’s “Development of Nano Bio-Interface Technology for Regenerative Tissue Transplant” Basic Technological Research Promotion Project, and Tokyo Women’s Medical University.

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4-1. Global Business Targets

Increase the overseas business in FY2015 by concentrating investments in North America, China and APAC

Increase the overseas business in FY2015 by concentrating investments in North America, China and APAC

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015 (Forecast)</th>
<th>FY2018 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas revenues</td>
<td>208.9 Billion yen</td>
<td>220.0 Billion yen</td>
<td>400.0 Billion yen</td>
</tr>
<tr>
<td>Overseas headcount</td>
<td>1,700</td>
<td>1,800</td>
<td>3,500</td>
</tr>
<tr>
<td>Healthcare Company Total</td>
<td>5,700</td>
<td>5,700</td>
<td>7,000</td>
</tr>
</tbody>
</table>

**Major Overseas Companies: 14**

<table>
<thead>
<tr>
<th>Healthcare Company</th>
<th>Americas</th>
<th>EMEA</th>
<th>APAC</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Hitachi Medical Systems America</td>
<td>• Hitachi Medical Systems Europe Holding</td>
<td>• Hitachi Medical Systems Singapore</td>
<td>• Hitachi Medical (Guangzhou)</td>
<td></td>
</tr>
<tr>
<td>• Hitachi Aloka Medical America</td>
<td></td>
<td></td>
<td>• Hitachi Medical Systems (Beijing)</td>
<td></td>
</tr>
<tr>
<td>Hitachi High-Technologies America</td>
<td>• Hitachi High-Technologies Europe</td>
<td>• Hitachi High-Technologies (Singapore)</td>
<td>• Hitachi High-Technologies (Shanghai)</td>
<td></td>
</tr>
<tr>
<td>Information &amp; Telecommunication Systems Company</td>
<td></td>
<td></td>
<td>• Hitachi Instruments (Suzhou)</td>
<td>Hitachi Data Systems / Hitachi Consulting</td>
</tr>
</tbody>
</table>

EMEA : Europe, the Middle East and Africa
APAC : Asia Pacific
Respond to local healthcare needs with the three healthcare-related Group companies collaborating with the four global regions:

- Global development based on an autonomous decentralized global management
- Market-in approaches matching local needs

Collaboration of the R&D group under a new global structure:

- CSI: Global Center for Social Innovation
- CTI: Center for Technology Innovation
- CER: Center for Exploratory Research

Group company global business development:

- Healthcare Company
- Hitachi High-Technologies
- Information & Telecommunication Systems Company

Autonomous decentralized global management:

- Americas
- EMEA
- APAC
- China
4-3. Development of Medical Innovation

Develop medical innovation in China, India and other countries based on Hitachi’s track record in Japan

**Hitachi’s total solutions**

**Engineering**
- Safety and optimal design plan
- Equipment procurement support

**Operations**
- Support for raising efficiency
- Maintenance

**Financing**
- Reduce upfront investments

**IT System**
- Community collaboration system
- Hospital information systems

**Service lineup**

**Solutions improving Hospital management efficiency**
- PET examination support
- Image diagnosis support, etc

**Healthcare collaboration support**

**Solution for local & comprehensive care**

**Solutions supporting self-administered home care**

**ESCO business**

**Hitachi’s Initiatives**

**China**

**Market**
Accelerated privatization of public hospitals as a national policy

**Hitachi’s Initiatives**
- Market penetration through partnerships with private corporate groups that buy-out hospitals
- Propose solutions for improving hospital management efficiency to potential partners
- Plan to start from PET examination support in developing business

**India**

**Market**
Government-led hospital infrastructure development

**Hitachi’s Initiatives**
- Respond to needs for developing hospital infrastructure
- Drive AIIMS’ Hospital Energy Conservation Project by using NEDO’s verification programs

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**PET** : Positron Emission Tomography  
**ESCO** : Energy Service Company  
**AIIMS** : All India Institute of Medical Science (India’s largest national teaching hospital)
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**Business Expansion**

**FY2013→FY2014**
- Informatics and Testing & Reagents: double-digit growth
- Diagnostics & Clinical: revenue dropped by 7% -Negative impact from 2013 last-minutes demand related to increase of tax and medical fees revision
- Advance investment in Heavy ion beam therapy business

**FY2014→FY2015**
- Diagnostics & Clinical: revenue increase by launching new products and recovery of domestic market
- Informatics and Testing & Reagents: revenue increase continues

**HSTP Benefits (For Healthcare Company)**

**Cumulative benefit (FY2011~FY2015): 10 Billion yen (Gross)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generate Cash</td>
<td>Improve CCC: 149 days (FY2011/HMC) → 142 days (FY2015)</td>
</tr>
<tr>
<td></td>
<td>Reconstruction of global supply chain management</td>
</tr>
<tr>
<td></td>
<td>Establish a Global Logistics Center</td>
</tr>
<tr>
<td>Manufacturing cost</td>
<td>Osaka works consolidated into Kashiwa works</td>
</tr>
<tr>
<td></td>
<td>Raise operation rates at Suzhou works</td>
</tr>
<tr>
<td>Direct material costs</td>
<td>CT: Increase application rate of self-manufactured tube</td>
</tr>
<tr>
<td></td>
<td>MRI: Reduce costs of self-manufactured magnet</td>
</tr>
<tr>
<td>Indirect costs</td>
<td>Healthcare unit management and business process re-engineering (BPR)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenues (Billion yen)</th>
<th>326.7 → 337.9 → 360.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>20.7 → 19.4 → 26.0</td>
</tr>
</tbody>
</table>

**Revenues (Billion yen)**

- FY2013: 326.7
- FY2014: 337.9
- FY2015: 360.0

**Operating Income (Billion yen)**

- FY2013: 20.7
- FY2014: 19.4
- FY2015: 26.0

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues (Billion yen)</th>
<th>Operating Income (Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>326.7</td>
<td>20.7</td>
</tr>
<tr>
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<td>337.9</td>
<td>19.4</td>
</tr>
<tr>
<td>FY2015</td>
<td>360.0</td>
<td>26.0</td>
</tr>
</tbody>
</table>
## 5-2. Growth Strategy for FY2018

### FY2014 (US GAAP)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenues (Billion yen)</td>
<td>337.9</td>
</tr>
<tr>
<td>Overseas revenue ratio</td>
<td>62%</td>
</tr>
<tr>
<td>Service revenue ratio</td>
<td>23%</td>
</tr>
<tr>
<td>Operating income ratio</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

### FY2018 (IFRS)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues (Billion yen)</td>
<td>600.0</td>
</tr>
<tr>
<td>Overseas revenue ratio</td>
<td>67%</td>
</tr>
<tr>
<td>Service revenue ratio</td>
<td>35%</td>
</tr>
<tr>
<td>Operating income ratio</td>
<td>10%</td>
</tr>
</tbody>
</table>

### Growth Strategy

- **Create cash with enhancement of management practices**
  - Integrate management system centered by the Healthcare Company
  - Continue HSTP approach

- **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

- **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)
  - Strengthen global value chain (e.g. China, India)

- **Strategic investment**
  - Grow the top line with M&A in focused area
  - Expand service business (e.g. Outsourcing business model)
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<table>
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<tr>
<th></th>
<th>Revenues (Billion yen)</th>
<th>Operating Income (Billion yen)</th>
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</thead>
<tbody>
<tr>
<td><strong>US GAAP</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2013</td>
<td>326.7</td>
<td>20.7</td>
</tr>
<tr>
<td>FY2014</td>
<td>337.9</td>
<td>19.4</td>
</tr>
<tr>
<td>FY2015 (Forecast)</td>
<td>360.0</td>
<td>26.0</td>
</tr>
<tr>
<td><strong>IFRS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2015 (Forecast)</td>
<td>360.0</td>
<td>25.6</td>
</tr>
</tbody>
</table>

Managerial accounting consolidation based on U.S. GAAP
Managerial accounting consolidation based on IFRS
“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)

*1 Managerial accounting consolidation based on U.S. GAAP
*2 Managerial accounting consolidation based on IFRS
*3 “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)
### 6-2. Conclusion

#### FY2015 Targets

<table>
<thead>
<tr>
<th></th>
<th>US GAAP(^*1)</th>
<th>IFRS(^*2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>360 billion yen</td>
<td>360 billion yen</td>
</tr>
<tr>
<td>Overseas revenue ratio</td>
<td>61%</td>
<td>61%</td>
</tr>
<tr>
<td>Operating income ratio</td>
<td>7%</td>
<td>7%</td>
</tr>
</tbody>
</table>

\(^*1\) Managerial accounting consolidation based on U.S. GAAP

\(^*2\) Managerial accounting consolidation based on IFRS

#### FY2018 Targets

<table>
<thead>
<tr>
<th></th>
<th>IFRS(^*2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>600 billion yen</td>
</tr>
<tr>
<td>Overseas revenue ratio</td>
<td>67%</td>
</tr>
<tr>
<td>Adjusted operating income ratio</td>
<td>10%</td>
</tr>
</tbody>
</table>

\(^*2\) "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)
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 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;
- 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.