Hitachi’s History of Transformation  
(Fiscal 2004 – Fiscal 2013)

Recovery from management crisis and on to a new growth stage.  
In fiscal 2013, Hitachi achieved new record highs in operating income and EBIT (earnings before interest and taxes).  
However, for a company such as Hitachi that aims to be a leader in global markets, we are still just at the starting line.  
Going forward, Hitachi will accurately track changes in society, accelerate the process of transformation to achieve new growth, and strive to increase corporate value.

Fiscal 2004 – Fiscal 2005

**Strengthening Initiatives**
- Established joint venture with OMRON Corporation in the ATM business  
- Merged with automotive systems equity method company TOKICO and subsidiary Hitachi Unisia Automotive through absorption-type mergers  
- Established joint venture with NEC Corporation in backbone router/switch business  
- Acquired plasma display business and related patents from Fujitsu Limited

**Rebuilding Initiatives**
- Established joint venture with Casio Computer Co., Ltd. in mobile phone business  
- Transferred printer business to Ricoh Company, Ltd.

Fiscal 2006 – Fiscal 2008

**Strengthening Initiatives**
- Made Clarion a consolidated subsidiary  
- Established joint venture with GE, of the United States, in nuclear power generation systems business  
- Made Hitachi Kokusai Electric a consolidated subsidiary  
- Made Hitachi Koki a consolidated subsidiary

**Rebuilding Initiatives**
- Sold precision small motor business to Nidec Corporation  
- Withdrew from consumer PC business  
- Transferred semiconductor manufacturing subsidiary in Singapore to a semiconductor foundry

* EBIT is presented as income before income taxes less interest income plus interest charges.
Strengthening Initiatives
- Made five listed companies* wholly owned consolidated subsidiaries
  * Hitachi Information Systems; Hitachi Software Engineering; Hitachi Systems & Services; Hitachi Plant Technologies; and Hitachi Maxell
- Established joint venture in the hydroelectric power generation business with Mitsubishi Electric Corporation and Mitsubishi Heavy Industries, Ltd.
- Acquired BlueArc, a network storage solution business in the United States
- Dissolved joint venture in the transmission and distribution business
- Acquired a nuclear energy company in the United Kingdom

Rebuilding Initiatives
- Integrated Renesas Technology, an equity method company in the semiconductor business, with NEC Electronics
- Transferred business in large LCD panels for TVs to Panasonic Corporation
- Transferred plasma display panel plant to Solar Frontier K.K.
- Transferred hard disk drive business to Western Digital Corporation, of the United States
- Integrated small and medium-sized LCD business with Japan Display Inc.
- Stopped in-house production of flat-panel TVs

Fiscal 2009 – Fiscal 2012

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2009</td>
<td>Raised funds through the issuance of new shares</td>
</tr>
<tr>
<td>Fiscal 2010</td>
<td>Celebrated 100th anniversary of founding</td>
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<td></td>
<td>Introduced in-house company system</td>
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<tr>
<td>Fiscal 2011</td>
<td>Achieved new record high in net income</td>
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<tr>
<td></td>
<td>Transferred hard disk drive business</td>
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<td></td>
<td>Started cost structure reform project</td>
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<tr>
<td>Fiscal 2012</td>
<td>Introduced Group system</td>
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<tr>
<td></td>
<td>Increased number of non-Japanese directors, outside directors became</td>
</tr>
<tr>
<td></td>
<td>majority</td>
</tr>
<tr>
<td>Fiscal 2013</td>
<td>Achieved new record highs in operating income and EBIT</td>
</tr>
</tbody>
</table>

Fiscal 2013

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening Initiatives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hitachi Metals and Hitachi Cable were merged</td>
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<tr>
<td></td>
<td>Established joint venture with Mitsubishi Heavy Industries, Ltd. in</td>
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<tr>
<td></td>
<td>thermal power generation systems business</td>
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<tr>
<td></td>
<td>Made Hitachi Medical a wholly owned subsidiary</td>
</tr>
<tr>
<td></td>
<td>Absorbed Hitachi Plant Technologies</td>
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</tbody>
</table>

Rebuilding Initiatives
- Transferred printed circuit board production equipment business to an investment fund
- Relisted Hitachi Maxell shares
2015 Mid-term Management Plan – Achieving Growth and Hitachi’s Transformation

**Recovering from the Management Crisis**

**Results under 2012 Mid-term Management Plan**
(Fiscal 2010 – Fiscal 2012)

**INNOVATION**

Strengthen service businesses that maximize the utilization of IT and bring about innovation

- Grow the Social Innovation Business by working with customers to identify their challenges and by providing innovative solutions
- Strengthen and expand services businesses by providing solutions for customers’ issues and product services

**GLOBAL**

Deliver innovation to customers and society globally

- Enhance engineering teams to strengthen solutions-provision system and accelerate global business initiatives
- Sales growth in North America and China in addition to Asia
- Globalization of management and use of global resources in R&D

**TRANSFORMATION**

Transform to deliver innovation by standardized and speedy operation

- Advancing the Hitachi Smart Transformation Project, a cost structure reform project (reevaluating operations to strengthen competitiveness and generate cash)
- Leverage global talent to lead businesses

**Management Focus**

**Revenues**

3-year average ¥9,340.9 billion

**EBIT ratio (operating income ratio)**

3-year average 4.9% (4.6%)

**Net income attributable to Hitachi, Ltd. stockholders**

3-year average ¥253.7 billion

**Net income attributable to Hitachi, Ltd. stockholders per share**

3-year average ¥55

**Total Hitachi, Ltd. stockholders’ equity ratio (manufacturing, services & others)**

Fiscal 2012 23.2%
Hitachi’s Vision
Hitachi delivers innovations that answer society’s challenges. With our talented team and proven experience in global markets, we can inspire the world.

Society’s Challenges
- Securing water resources, energy and food
- Replacement of aging infrastructure systems
- Reduction of CO2 emissions
- Improving transportation systems
- Responding to lower birthrate and aging
- Promoting material recycling

Macro trends
- The shale gas revolution is making the energy-supply portfolio change and oil and gas prices are fluctuating
- Japanese market: Finance sector: Increased IT investment
- Public sector: National resilience
- Power sector: Deregulation and separation of generation from transmission and distribution
- Conventional markets such as healthcare, agriculture, etc., are growing by employing innovation
- Shift from “concentration, ownership, and consumption” to “distribution, sharing, and recycling”—a trend that is accelerating
### Cases of Service Business

**Water business solutions**
Addressing global demand for water through intelligent water systems using recycled water and IT

**U.K. rail**
Resolving issues by increasing rolling stock operating ratio and implementing measures for aging rail cars

**Elevator and escalator business**
Product services supporting the entire product life cycle, such as operation and maintenance.

### Global Strategy

Hitachi has reconfirmed the position of China and North America as priority regions and is now aiming for further growth.

#### Europe
- Railways
- Nuclear power
- Healthcare

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2015</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>¥812.1 billion</td>
<td>¥860.0 billion</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

#### China
- Buildings
- Governments
- Construction
- Finance
- Healthcare

<table>
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<tr>
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<th>FY2013</th>
<th>FY2015</th>
<th>Growth Rate</th>
</tr>
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<tbody>
<tr>
<td>Asia</td>
<td>¥1,073.6 billion</td>
<td>¥1,220.0 billion</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

#### North America
- Automobiles
- Finance
- Oil and gas
- Power
- Healthcare

<table>
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<th>FY2015</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>¥910.2 billion</td>
<td>¥1,000.0 billion</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

### Cost Structure Reform

**Hitachi Smart Transformation Project:** Shift to an enterprise that generates cash to achieve growth

<table>
<thead>
<tr>
<th>Reforms focused on cost areas and functions</th>
<th>Process-focused reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerate centralized purchasing of direct and indirect materials</td>
<td>Full-scale development of global SCM reforms and modular design</td>
</tr>
<tr>
<td>Strengthen engineered sourcing (increase procurement engineers)</td>
<td></td>
</tr>
<tr>
<td>Concept formulation</td>
<td>Global logistics reforms</td>
</tr>
<tr>
<td>(in Japan) Centralize common operating expenses (Globally)</td>
<td></td>
</tr>
<tr>
<td>Concept formulation</td>
<td>Expand introduction of shared services in Japan and overseas</td>
</tr>
<tr>
<td>Headquarters reforms</td>
<td></td>
</tr>
<tr>
<td>Concept formulation</td>
<td>Group structure reforms</td>
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</tbody>
</table>

**Promote process reforms**
Expand specific reforms into area reforms

- Advance, standardize, and centralize businesses and work processes
- Supply chain
- Indirect operations in Japan, etc.
- Operational reforms
- Shift to a global business process
Revenues
Fiscal 2015 Target
¥10 trillion
Fiscal 2013 Result
¥9,616.2 billion

EBIT ratio (operating income ratio)
Fiscal 2015 Target
Over 7% (Over 7%)
Fiscal 2013 Result
6.0% (5.5%)

Net income attributable to Hitachi, Ltd. stockholders
Fiscal 2015 Target
Over ¥350.0 billion
Fiscal 2013 Result
¥264.9 billion

Net income attributable to Hitachi, Ltd. stockholders per share
Fiscal 2015 Target
Over ¥70
Fiscal 2013 Result
¥54.86

Hitachi, Ltd. stockholders’ equity ratio (manufacturing, services & others)
Fiscal 2015 Target
Over 30%
Fiscal 2013 Result
27.4%