

FOR IMMEDIATE RELEASE

## Hitachi Announces “2018 Mid-term Management Plan”

**Tokyo, May 18, 2016** --- Hitachi, Ltd. (TSE:6501) today announced that it has formulated a management plan “2018 Mid-term Management Plan” to aim to become an Innovation Partner for the IoT Era by Social Innovation Business. Summary of “2018 Mid-term Management Plan” are below.

### 1. FY2018 Target

#### (1) Management Target

	FY2018 Target <sup>*1,2</sup>	FY2015 Results
Revenues	10,000.0 billion yen	10,034.3 billion yen
Adjusted operating income <sup>*3</sup> ratio	Over 8%	6.3%
EBIT <sup>*4</sup> ratio	Over 8%	5.3%
Net income attributable to Hitachi, Ltd. stockholders	Over 400.0 billion yen	172.1 billion yen
Front revenue ratio	40%	36%
Overseas revenue ratio	Over 55%	48%
Operating Cash Flow Margin <sup>*5</sup>	Over 9%	8.6%
ROA <sup>*5,6</sup>	Over 5%	2.6%

\*1 Foreign exchange rate assumption: 110 yen / dollar, 120 yen / euro

\*2 Figures for FY2018 reflect the conversion of Hitachi Transport System, Ltd. and Hitachi Capital Corporation into equity-method associates and joint ventures.

\*3 [Adjusted operating income] = [Revenues] – [Cost of sales] – [Selling, general and administrative expenses]

\*4 EBIT (Earnings Before Interest and Taxes) is presented as income from continuing operations, before income taxes less interest income plus interest charges.

\*5 Manufacturing, Services and Others

\*6 ROA(Return on Asset) = [Net income] / [Total Asset (Average between the end of current fiscal year and the end of previous fiscal year)] x 100

## 2. What to Achieve in the 2018 Mid-term Management Plan

### (1) Social Innovation Business ahead of the Times

Deliver innovations to customers and society through fusion of OT<sup>\*7</sup>, IT, and products/systems

\*7 Operational Technology: Technology to control the operation of industrial components, plants, social infrastructure equipment, etc. A word used in contrast to "IT".

### (2) Expanding Opportunities for Social Innovation Business

Digitalization has accelerated the reorganization of industries and social infrastructures

### (3) Evolution of Social Innovation Business

- ① Industry and Distribution: Innovate the whole industry and distribution structure
- ② Urban: Realize more convenient, comfortable and eco-friendly lifestyles

### (4) Hitachi in 2018

An Innovation Partner for the IoT Era

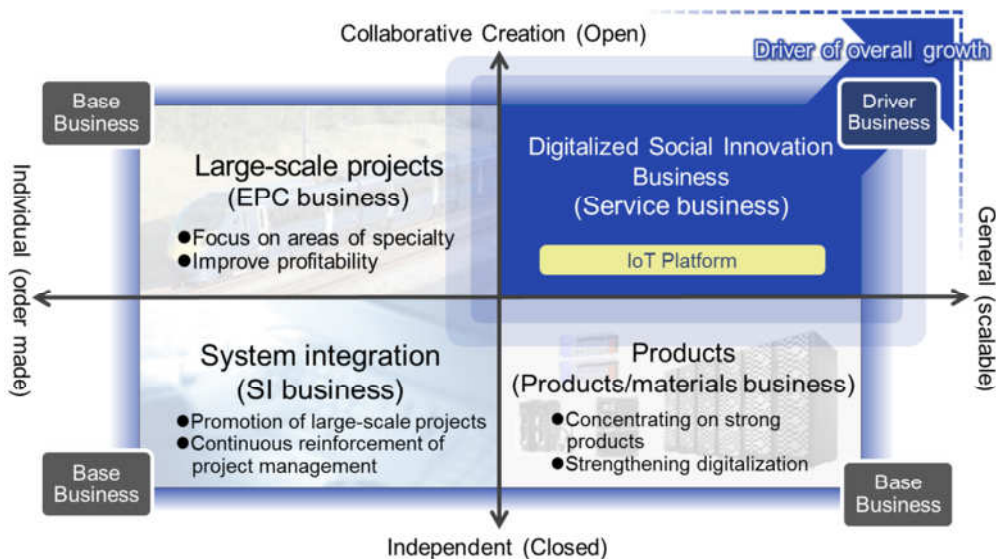
Accelerate collaborative creation with customers through the advanced Social Innovation Business

## 3. Strengthening the Social Innovation Business

### (1) Advancing the Social Innovation Business to Next Stage

Strengthen products/material business, SI and EPC, and growth using digital technology

Drive Hitachi's overall growth with digitalized Social Innovation



**(2)Accelerating the Social Innovation Business**

The front delivers Hitachi's technologies and expertise to customers as services

**(3)IoT Platform "Lumada"**

Core of Social Innovation

Means for customers to enjoy digitalized innovation quickly and easily

**(4)Strengthening the Front**

Increase front manpower by 20,000:

FY2015 110,000 people → FY2018 130,000 people

**(5)R&D that Supports Strengthening the Front**

Promoting R&D close to the customers

**(6)Strengthening Products**

Expanding digitalized products that support innovation

Focusing on investing in globally competitive products

**(7)Global Rollout of the Social Innovation Business**

Best response to innovation in industry and social infrastructure in each region

**4. Strengthening the Management Base**

**(1)Management Acceleration for Growth and Profits: Reform Hitachi's management base**

Speed up management - Rapid decision-making and quick execution

Expand global business - Expand global partners and customers

Increase business profitability - Judgment on low-profitability businesses

Invest in growth businesses - Investments totaling 1 trillion yen over three years

**(2)Strengthening Capability to Generate Cash: Evolution of Hitachi Smart Transformation**

Re-examine cost structures - Design target costs and reduce procurement costs / fixed costs

Increase efficiency of operating capital - Use IT to reduce production lead times and decrease inventory

Increase efficiency of investments and assets - Share production facilities among plants

**(3)Investment Policy**

Speedily increasing profit through investment in products business

Concentrating investment in front to accelerate the Social Innovation

## 5. Moving Forward to 2018

### (1) Hitachi Group's Position in FY2018

#### ① Front develops and provides services to drive expansion of revenues and profits

billion yen

Revenues	FY2018 Target <sup>*1,2</sup>	FY2015 Results
Front (Front revenue ratio)	4,000.0 (40%)	3,596.9 (36%)
Power / Energy	550.0	519.5
Industry / Distribution / Water	840.0	790.7
Urban	1,400.0	1,056.5
Finance / Public / Healthcare	1,380.0	1,230.2
Platform	330.0	278.6
Products	6,820.0	7,389.3

Adjusted operating income ratio	FY2018 Target <sup>*1,2</sup>
Front	8%
Platform	11%
Products	7%

#### ② Strengthening focused areas for expansion of the Social Innovation Business

Business Domains	Approach
Power / Energy	<ul style="list-style-type: none"> <li>• Transition to distributed power supply utilizing IT                             <ul style="list-style-type: none"> <li>– Microgrid, Regional energy management</li> <li>– Renewable energy</li> </ul> </li> </ul>
Industry / Distribution / Water	<ul style="list-style-type: none"> <li>• Use “Lumada” IoT platform to optimize value-chain for industry and distribution</li> </ul>
Urban	<ul style="list-style-type: none"> <li>• Improvement of Quality of Life in communities</li> <li>• From Rail as a Service to Outcome Delivery</li> </ul>
Finance / Public / Healthcare	<ul style="list-style-type: none"> <li>• FinTech / My-number</li> <li>• Healthcare Service (Platform)</li> </ul>

### ③ Railway business grows substantially in Europe; Businesses in North America also continues to grow

Growth by services and products utilizing digital technologies

trillion yen

Revenues	FY2018 Target <sup>*1,2</sup>	FY2015 Results
Asia <sup>*8</sup>	1.22	1.05
China	1.10	1.05
North America	1.46	1.28
Europe	1.15	0.95
Other Areas (including Japan)	5.07	5.69
Overseas revenues ratio	55%	48%

\*8 not including China

### ④ THE FUTURE IS OPEN TO SUGGESTIONS

**Delivering new value to society through collaborative creation with our customers and partners**

#### **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;

- 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;
- credit conditions of Hitachi's customers and suppliers;
- 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 associates and joint ventures 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 associates and joint ventures;
- 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. The company's consolidated revenues for fiscal 2015 (ended March 31, 2016) totaled 10,034.3 billion yen (\$88.7 billion). The Hitachi Group is a global leader in the Social Innovation Business, and it has approximately 335,000 employees worldwide. Through collaborative creation, Hitachi is providing solutions to customers in a broad range of sectors, including Power / Energy, Industry / Distribution / Water, Urban Development, and Finance / Government & Public / Healthcare. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

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Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.

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