FOR IMMEDIATE RELEASE

Growth Strategies for the Business Units and Others toward Achieving “2018 Mid-term Management Plan” Goals

Tokyo, June 1, 2016 --- Hitachi, Ltd. (TSE:6501) today announced its growth strategies for the Business Units (BUs) and others toward achieving “2018 Mid-term Management Plan” Goals. On May 18, 2016, Hitachi announced “2018 Mid-term Management Plan” to aim to become an Innovation Partner for the IoT Era by Social Innovation Business. The primary goals of this mid-term management plan are to promote achieving growth.

Summary

1. 2018 Mid-term Management Plan Target

<table>
<thead>
<tr>
<th></th>
<th>FY2015 Result</th>
<th>FY2018 Target¹,²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>10,034.3 billion yen</td>
<td>10,000.0 billion yen</td>
</tr>
<tr>
<td>Adjusted operating income³ ratio</td>
<td>6.3%</td>
<td>Over 8%</td>
</tr>
<tr>
<td>EBIT⁴ ratio</td>
<td>5.3%</td>
<td>Over 8%</td>
</tr>
<tr>
<td>Net income attributable to Hitachi, Ltd. stockholders</td>
<td>172.1 billion yen</td>
<td>Over 400.0 billion yen</td>
</tr>
<tr>
<td>Front revenue ratio</td>
<td>36%</td>
<td>40%</td>
</tr>
<tr>
<td>Overseas revenue ratio</td>
<td>48%</td>
<td>Over 55%</td>
</tr>
<tr>
<td>Operating Cash Flow Margin⁵</td>
<td>8.6%</td>
<td>Over 9%</td>
</tr>
<tr>
<td>ROA⁵,⁶</td>
<td>2.6%</td>
<td>Over 5%</td>
</tr>
<tr>
<td>CCC⁵,⁷</td>
<td>71.6 days</td>
<td>70 days</td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>25.7%</td>
<td>Over 28%</td>
</tr>
<tr>
<td>SG&amp;A⁸ ratio</td>
<td>19.3%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Notes: 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
⁷ CCC: Cash Conversion Cycle of manufacturing, services and others
⁸ SG&A: Selling, General & Administrative expenses (including R&D expenditure)
## 2. Field-specific Figures in the 2018 Mid-term Management Plan

<table>
<thead>
<tr>
<th>BU / Business</th>
<th>FY2015 Result</th>
<th>FY2016 Forecast</th>
<th>FY2018 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
<td>Adjusted operating income ratio</td>
<td>Revenues</td>
</tr>
<tr>
<td>Front</td>
<td>-</td>
<td>3,596.9 5.6%</td>
<td>3,600.0 6.0%</td>
</tr>
<tr>
<td>Power / Energy</td>
<td>Nuclear Energy BU</td>
<td>519.5 2.2%</td>
<td>463.0 0.6%</td>
</tr>
<tr>
<td></td>
<td>Power BU</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Energy Solutions BU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry / Distribution / Water</td>
<td>Industry &amp; Distribution Business</td>
<td>790.7 0.0%</td>
<td>765.0 3.5%</td>
</tr>
<tr>
<td></td>
<td>Industry &amp; Distribution BU</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Front Business (IT for Industry &amp; Distribution fields)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Water BU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>Building Systems BU</td>
<td>1,056.5 8.7%</td>
<td>1,150.0 7.5%</td>
</tr>
<tr>
<td></td>
<td>Railway Systems BU</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Urban Solutions BU</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Defense Systems BU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance / Public / Healthcare</td>
<td>Financial Institutions BU</td>
<td>1,230.2 8.1%</td>
<td>1,220.0 8.2%</td>
</tr>
<tr>
<td></td>
<td>Government &amp; Public Corporation BU</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Front Business (excluding IT for Industry &amp; Distribution field)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Healthcare BU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Platform</td>
<td>Services &amp; Platforms BU</td>
<td>278.6 8.4%</td>
<td>280.0 5.7%</td>
</tr>
<tr>
<td>Products</td>
<td>Industrial Products BU</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>IT Products</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Electronic Systems &amp; Equipment (excluding Healthcare BU)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Construction Machinery</td>
<td>7,389.3 5.5%</td>
<td>6,350.0 5.5%</td>
</tr>
<tr>
<td></td>
<td>High Functional Materials &amp; Components</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Automotive Systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Smart Life &amp; Ecofriendly Systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate items &amp; Eliminations</td>
<td>-</td>
<td>(1,230.6)</td>
<td>-</td>
</tr>
<tr>
<td>Total (Consolidated)</td>
<td>-</td>
<td>10,034.3 6.3%</td>
<td>9,000.0 6.0%</td>
</tr>
</tbody>
</table>
### 3. Growth Strategy (1) Global Business Expansion (Overseas Revenues Ratio)  

<table>
<thead>
<tr>
<th>BU / Business</th>
<th>FY2015 Result</th>
<th>FY2016 Forecast</th>
<th>FY2018 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (Consolidated)</td>
<td>48%</td>
<td>50%</td>
<td>Over 55%</td>
</tr>
<tr>
<td>Power and Energy Business</td>
<td>9%</td>
<td>13%</td>
<td>16%</td>
</tr>
<tr>
<td>Industry &amp; Distribution Business</td>
<td>15%</td>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>Water BU</td>
<td>8%</td>
<td>17%</td>
<td>27%</td>
</tr>
<tr>
<td>Building Systems BU</td>
<td>59%</td>
<td>57%</td>
<td>58%</td>
</tr>
<tr>
<td>Railway Systems BU</td>
<td>71%</td>
<td>86%</td>
<td>83%</td>
</tr>
<tr>
<td>System &amp; Services Business (including Financial Institutions BU and Government &amp; Public Corporation BU)</td>
<td>33%</td>
<td>34%</td>
<td>37%</td>
</tr>
<tr>
<td>Healthcare Business</td>
<td>64%</td>
<td>64%</td>
<td>70%</td>
</tr>
<tr>
<td>Industrial Products BU</td>
<td>27%</td>
<td>27%</td>
<td>30%</td>
</tr>
<tr>
<td>Automotive Systems Business</td>
<td>60%</td>
<td>61%</td>
<td>63%</td>
</tr>
</tbody>
</table>

*Note: *9 Overseas revenue ratio for global customer bases*  

### 4. Growth Strategy (2) Strengthening Capability to Generate Cash (CCC*[^5,^7,^10])  

<table>
<thead>
<tr>
<th>BU / Business</th>
<th>FY2015 Result</th>
<th>FY2016 Forecast[^1,^2]</th>
<th>FY2018 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (Consolidated)</td>
<td>71.6</td>
<td>84</td>
<td>70</td>
</tr>
<tr>
<td>Power and Energy Business</td>
<td>87</td>
<td>91</td>
<td>75</td>
</tr>
<tr>
<td>Industry &amp; Distribution Business</td>
<td>53</td>
<td>85</td>
<td>79</td>
</tr>
<tr>
<td>Water BU</td>
<td>22</td>
<td>22</td>
<td>30</td>
</tr>
<tr>
<td>Building Systems BU</td>
<td>44</td>
<td>48</td>
<td>46</td>
</tr>
<tr>
<td>Railway Systems BU</td>
<td>84</td>
<td>135</td>
<td>55</td>
</tr>
<tr>
<td>System &amp; Services Business (including Financial Institutions BU and Government &amp; Public Corporation BU)</td>
<td>62</td>
<td>59</td>
<td>59</td>
</tr>
<tr>
<td>Healthcare BU</td>
<td>140</td>
<td>116</td>
<td>92</td>
</tr>
<tr>
<td>Industrial Products BU</td>
<td>-</td>
<td>111</td>
<td>105</td>
</tr>
<tr>
<td>Automotive Systems Business</td>
<td>42</td>
<td>41</td>
<td>41</td>
</tr>
</tbody>
</table>

*Note: *[^10] Number of days, rounded off to whole numbers (except for overall performance in FY2015)*
## Growth strategies for the Business Units and others

### 1. Front: Power / Energy

<table>
<thead>
<tr>
<th>BU / Business</th>
<th>FY2015 Result</th>
<th>FY2016 Forecast</th>
<th>FY2018 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
<td>Adjusted</td>
<td>Revenues</td>
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<tr>
<td></td>
<td></td>
<td>operating</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>income ratio</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>EBIT ratio</td>
<td></td>
</tr>
<tr>
<td>Power and Energy</td>
<td>519.5</td>
<td>2.2%</td>
<td>463.0</td>
</tr>
<tr>
<td>Business<strong>1</strong></td>
<td></td>
<td>1.1%</td>
<td></td>
</tr>
<tr>
<td>Nuclear Energy BU<strong>12</strong></td>
<td>187.2</td>
<td>-</td>
<td>150.0</td>
</tr>
<tr>
<td>Power BU</td>
<td>284.9</td>
<td>-</td>
<td>275.0</td>
</tr>
<tr>
<td>Energy Solutions BU<strong>11</strong></td>
<td>85.1</td>
<td>-</td>
<td>75.0</td>
</tr>
</tbody>
</table>

**Notes:**
*1 Performance in Energy Solutions BU includes IT Systems business for the power systems and energy fields, as posted in the Information & Telecommunication Systems segment, but does not include figures for the power systems and energy businesses.
*12 Target for revenues in the Nuclear Power BU in FY2020 is 280 billion yen

### 1.1 Power and Energy Business

#### (1) Growth Strategy

**[1] Nuclear BU**

- Leverage domestic business to achieve growth and increased revenues in overseas business
- Continue decommissioning work at the Fukushima Daiichi nuclear power station
- Step up initiatives for the early restart and long-term safe operation of nuclear reactors
- Pursue UK’s Horizon Project
- Expand ABWR/ESBWR**13** to the global market

**[2] Power BU**

- Create cash from Service Business and expand Power Generation Solutions and Power Transmission and Systems Businesses
- Promote utilization of IoT and creation of High-value-added services in the Service Business
- Strengthen the Power Generation Solutions Business
- Expand the Power Transmission and Distribution Systems Business

**[3] Energy Solution BU**

- Ensure stable revenues in domestic base business, and achieve growth in the global market
- Maximize customer value through solutions using digital techniques by integrating IT and OT**14**
- Focus on optimal solutions for further energy reforms, harnessing experience gained through Japanese energy system reforms
- Achieve priority investment on North American market, which drives global market
(2) Strengthen Cost Strategy and Cash Generation

Strengthen operating foundations by reviewing business efficiency

[1] SG&A
- Overhaul fixed costs in Japan
- Review indirect costs

- Upgrade production technologies of global manufacturing bases
- Strengthen development capabilities in core production technology at mother factories
- Establish global supply chain
- Improve productivity through IT innovation

[3] Cash Generation
- Shorten end-to-end lead time
- Tighten cash flow management for individual projects
- Continue activities to reduce inventories

*14 OT: Operational Technology

2. Front: Industry / Distribution / Water

<table>
<thead>
<tr>
<th>BU / Business</th>
<th>FY2015 Result</th>
<th>FY2016 Forecast</th>
<th>FY2018 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
<td>Adjusted</td>
<td>Revenues</td>
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<td>income ratio</td>
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<td></td>
<td></td>
<td>EBIT ratio</td>
<td></td>
</tr>
<tr>
<td>Industry &amp; Distribution Business*15</td>
<td>714.6</td>
<td>(1.3)%</td>
<td>690.0</td>
</tr>
<tr>
<td>Industry &amp; Distribution BU</td>
<td>459.2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Water Business*16</td>
<td>128.7</td>
<td>4.7%</td>
<td>75.0</td>
</tr>
<tr>
<td>Water BU</td>
<td>73.3</td>
<td>5.8%</td>
<td>75.0</td>
</tr>
</tbody>
</table>

Notes: *15 Performance in the Industry & Distribution business includes the Industry & Distribution BU, as well as IT Systems business targeting the Industry & Distribution field as posted for the Information & Telecommunication Systems segment.
*16 Performance for the water business includes the Water BU and pump business targeting the water field in the Industrial Products BU.

2.1 Industry & Distribution Business

(1) Growth Strategy

Provide services unique to Hitachi based on OT strength from existing businesses and experience in customers’ work site.
[1] Transition to digital service business
- Establish service business based on IoT platform “Lumada”, collaborative creation with customers and verification results.

[2] Expanding industry-specific solutions
- Focus on growth sectors (automotive, pharmaceutical, etc.)
- Expand peripheral solutions around core solutions
- Total engineering based on field experience as a manufacturer

[3] Strengthen logistics solution business
- Create service models and value chains that connect different industries

(2) Strengthen Cost Strategy and Cash Generation
Reap the benefits of BU structure fusion and the evolution of the Hitachi Smart Transformation

[1] SG&A
- Increase efficiency and add value by strengthening pipeline management throughout the entire value chain.
- Strengthen front sales forces, resolving the customers’ management issues

- Strengthen Phase Gate operations
- Create high added value services by fusion of IT and OT engineers

[3] Cash Generation
- Strict cash flow management on each projects and organizations
- Prompt cash generation by transformation to digital service and annuity business
- Improve CCC by reducing overall assets

2.2 Water BU
(1) Growth Strategy
Leverage Advanced Technologies and Partnering to Lead Next-Generation Water Infrastructure

[1] Maintain and expand high share in water supply and sewage market in Japan
- Proposals that combine mechanical and electrical systems
- Expand business in facility replacement market

[2] Establish high profitable business and expand scale in overseas business
- Steadily promote and expand large-scale projects
- Expand seawater desalinization plant business
- Strengthen Front Engineering (Increase current number of engineers by 40%)

[3] Expand service business
- Create and expand service businesses through IoT utilization
- Consider taking part in overseas concession projects

(2) Strengthen Cost Strategy and Cash Generation
Reduce costs and generate cash through the Hitachi Smart Transformation Project

- more -
[1] SG&A
- Strengthen solution proposal capabilities by strengthening front structures
- Increase efficiency and added value by strengthening pipeline management throughout the entire value chain

- Reduce manufacturing costs through production reforms
- Reduce direct material costs through overseas procurement and aggregated purchasing, and by strengthening procurement engineering

[3] Cash Generation
- Seamlessly increase efficiency in end-to-end operation processes, from quotations to service
- Improve asset efficiency by shortening lead times
- Select and concentrate investments

Note: *17 Concession: Comprehensive private consignment of project, which gives business operation rights to private sector while ownership of business property belongs to public sector in the field of construction of public facilities or services.

3. Front: Urban

<table>
<thead>
<tr>
<th>BU</th>
<th>FY2015 Result</th>
<th></th>
<th>FY2016 Forecast</th>
<th></th>
<th>FY2018 Target</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
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<td>Revenues</td>
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<td>Revenues</td>
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<td></td>
<td>operating</td>
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<td>operating</td>
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<td>operating</td>
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<tr>
<td></td>
<td>income ratio</td>
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<td>income ratio</td>
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<td>income ratio</td>
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</tr>
<tr>
<td></td>
<td>EBIT ratio</td>
<td></td>
<td>EBIT ratio</td>
<td></td>
<td>EBIT ratio</td>
<td></td>
</tr>
<tr>
<td>Building Systems BU</td>
<td>650.9</td>
<td>10.3%</td>
<td>600.0</td>
<td>9.6%</td>
<td>650.0</td>
<td>11.0%</td>
</tr>
<tr>
<td></td>
<td>10.8%</td>
<td></td>
<td>9.7%</td>
<td></td>
<td></td>
<td>11.1%</td>
</tr>
<tr>
<td>Railway Systems BU</td>
<td>352.6</td>
<td>6.1%</td>
<td>500.0</td>
<td>5.5%</td>
<td>640.0</td>
<td>8.0%</td>
</tr>
<tr>
<td></td>
<td>5.1%</td>
<td></td>
<td>4.7%</td>
<td></td>
<td></td>
<td>7.0%</td>
</tr>
<tr>
<td>Urban Solutions BU</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
</tbody>
</table>

3.1 Building System BU

(1) Growth Strategy
- Expand Social Innovation Business by providing Comfortable Smart Mobility Service
- Develop and provide the world’s latest products & services that are “HUMAN FRIENDLY”
- Promote service business based on the concept of “Fiduciary Duty”

[1] China
- Expand presence in the world’s largest market for new installation
- Establish solid business base
- Launch new businesses
[2] Asia / Middle East / India
- Develop global standard models and expand global footprint
- Strengthen and expand business in Indian market, the second largest in the world
- Reinforce human resource development in line with the rapid business launch

[3] Japan
- Expand presence in new installation market
- Expand renewal business
- Develop new products and technologies in coordination with research laboratories

(2) Promotion of Hitachi Smart Transformation Project
- Strengthen global development and procurement structure
- Promote expansion of cost planning activities
- Promote measures to reduce indirect costs

[2] Bolstering Ability to Generate Cash Flow
- Issues: Generate funds for developing highly profitable global business framework
- Improvement Measures: Expand sales and enhance profitability, Improve working capital efficiency

3.2 Railway Systems BU
(1) Growth Strategy
[1] Building its own global capability
  - Leverage from global scale whilst operating with a sustainable local presence that is able to take advantage of local knowledge and influence key stakeholders

[2] Transforming its business portfolio
  - Optimise the business portfolio to avoid overdependence on specific products and services as well as strengthen our integrated product-service solutions

[3] Innovate with IoT
  - Succeed by understanding and anticipating our clients’ needs, drawing on Hitachi’s full capability to be at the forefront of innovation in the global rail industry.

(2) Strengthening cash generating capability and improving asset efficiency
  - Implementation of factoring programme
  - Promotion of advance receipts for jumbo projects
  - First payments received from the Intercity Express Programme(IEP) will be from FY2017, while CCC and operating cash flow was worse due to IEP in FY2016.

3.3 Urban Solutions BU
- Contributing to the realization of high value-added services that satisfy user needs
- Through collaborative creation with customers, we will provide our partners with digital solutions that will help to increase the value of each business operator in the fields of real estate, stations & cities, and life & social infrastructure
- Developing into a total solution provider of the Hitachi Group’s products and services for urban field

- more -
· Expand the business by partnership with local partners in the markets of Japan, Asia, and North America & Europe

4. Front: Finance / Public / Healthcare

<table>
<thead>
<tr>
<th>BU / Business</th>
<th>FY2015 Result</th>
<th>FY2016 Forecast</th>
<th>FY2018 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
<td>Adjusted</td>
<td>Revenues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>operating</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>income</td>
<td></td>
</tr>
<tr>
<td>Financial Institutions BU</td>
<td>379.8</td>
<td>-</td>
<td>370.0</td>
</tr>
<tr>
<td>Government &amp; Public Corporation BU</td>
<td>218.9</td>
<td>-</td>
<td>210.0</td>
</tr>
<tr>
<td>Healthcare Business</td>
<td>332.6</td>
<td>7.6%</td>
<td>336.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6.6%</td>
<td></td>
</tr>
<tr>
<td>Healthcare BU</td>
<td>176.3</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes: *18 Performance in the Information & Telecommunication Systems segment (Systems & Service Business), including both the Financial Institutions BU and the Government & Public Corporations BU, is as follows.
FY2015 results/ Revenues: 2,109.3, Adjusted Operating Income Ratio: 6.7% EBIT Ratio 5.2%
FY2016 forecast/ Revenues: 2,040.0, Adjusted Operating Income Ratio: 7.0%, EBIT Ratio 4.1%
FY2018 target/ Revenues: 2,200.0, Adjusted Operating Income Ratio: 10.0%, EBIT Ratio 10.0%

*19 Performance in the Healthcare business includes the Healthcare BU, as well as related business at Hitachi High-Tech, Hitachi Data Systems, Hitachi Chemical, and other entities.

4.1 Financial institutions BU / Government & Public Corporation BU³²⁰

(1) Growth Strategy
Switch business portfolio to services and global areas while increase profitability positioning systems integration business as a base

[1] Financial Institutions BU
· Launch financial innovation businesses
· Create new businesses through collaborative creation with customers
· Expand global business focusing on Asia

· Sophisticate social infrastructure
· Expand service businesses
· Expand global businesses

[3] Common Measures
· Financial institutions BU, Government & Public Corporation BU: Utilize inter-industry services and IoT platform, Strength base business

- more -
IT platform: Build the platform for digital solutions\(^{20}\)
IT products: Focus on products supporting digital solutions\(^{20}\)

(2) Strengthen Cost Strategy and Cash Generation\(^{20}\)
Switch to a cost and profit structure that responds to the shift to service businesses

[1] SG&A
- Optimize back-office departments within the Group
- Reduce expenditure outside the Group
- Reduce IT costs

- Improve productivity in system development
- Reduce the cost of sales ratio with the introduction of high-added value software-based solutions

[3] Cash Generation
- Level sales through expanding fee-based businesses
- Promote fluidization of trade receivables
- Reduce inventory assets

Note: *20 Some explanations include notations regarding the Systems & Service business as a whole.

4.2 Healthcare Business

(1) Growth Strategy
Innovation for Efficient and Improved Quality of Healthcare Supporting Customers’ Value Chains

[1] Diagnostics & Clinical
Ultrasound, PBT: Global Share No.1
- Ultrasound: Expand for each clinical area, focus on POC
- PBT: Providing total solution
- Selection and Concentration

Collaborative creation for providing solutions
- Focus on growing business (gene, microbe)
- Expand “Laboratory System Engineering” business

[3] Informatics
Informatics for meeting customer’s needs
- Expand Integrated Community Care Systems
- Consolidate business platform in North America

R&D and Investments considering post 2018 Mid-term Management Plan
- Regenerative medicine: Enter cell manufacturing business
- Robotics, etc.
(2) Change Portfolio and Main Business
- Evolution of “Smart Transformation Project” for improving SG&A margin and generating free cash flow
- Minimize foreign exchange risks
- Investment for accelerating Innovation

5. Platform

<table>
<thead>
<tr>
<th>BU</th>
<th>FY2015 Result</th>
<th>FY2016 Forecast</th>
<th>FY2018 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
<td>Revenues</td>
<td>Revenues</td>
</tr>
<tr>
<td>Services &amp; Platforms BU</td>
<td>278.6</td>
<td>8.4%</td>
<td>280.0</td>
</tr>
</tbody>
</table>

5.1 Services & Platforms BU

(1) Growth Strategy
- Deliver social innovations to customers through the IoT platform using digital technologies
- Drive the sales and profit of Front
⇒ Invest 100 billion Yen in FY2016~2018 and accelerate digital solution

(2) Characteristics of Lumada
- Single Platform, Multiple Solutions: provides solutions to multiple business fields
- Open: Value creation through cross-industrial and open collaboration
- Adaptable: Deploy and expand digital solutions with customer’s existing system as it is
- Verified and Secure: Contribute to safe and secure digital solutions for customer utilizing proven OT and IT that have been supporting Hitachi’s Social Innovations

(3) Business Structure
- In May 2016 established global HQ in U.S. and started business with 6,000 workforce.

6. Products

<table>
<thead>
<tr>
<th>BU / Business</th>
<th>FY2015 Result</th>
<th>FY2016 Forecast</th>
<th>FY2018 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>Adjusted operating income ratio</td>
<td>Revenues</td>
<td>Adjusted operating income ratio</td>
</tr>
<tr>
<td>Industrial Products BU</td>
<td>372.3</td>
<td>2.1%</td>
<td>350.0</td>
</tr>
<tr>
<td>Automotive Systems Business</td>
<td>1,001.1</td>
<td>6.2%</td>
<td>1,000.0</td>
</tr>
</tbody>
</table>
6.1 Industrial Products BU

(1) Growth Strategy
  - Accelerate global growth strategy and strengthen business base
  - Focus strategic investments and resources on priority & enhancing businesses
  - Expand products business by enhancing responsiveness for IoT market

(2) Strengthen Cost Strategy and Cash Generation

[1] SG&A
  - Mass produced products: Improve annual sales per person and, reduce fixed cost ratio
  - Build-to-order products: Reduce fixed cost and, enhance project management capability

  - Reduce direct material cost
  - Reinforce global procurement capability
  - Build-to-order products: Promote design standardization and product modularization
  - Enhance cost management through target costing for new product development process

[3] Cash Generation
  - Mass produced products: Improve CCC through operating process reform
  - Promote visualization of global PSI\(^{22}\)
  - Build-to-order products: Reinforce project process management centering on drastically reduced lead time

Note: *22 PSI: P (Production, Purchase), S (Sales), I (Inventory)

6.2 Automotive Systems Business

(1) Growth Strategy
  - Execute 3 core strategies to achieve a robust management foundation and firm growth

[1] Product Strategy
  - Expand environment and safety businesses and provide Hitachi Group collaborative solutions

  - Execute strategy of customer diversity

[3] Regional Strategy
  - Strengthen functions of overseas regional headquarters

(2) Cost Structure Reform and Cash Generation
  - Execute growth strategy through structural reform and continuous innovation

[1] Cost Restructure
  - Strengthen global quality assurance capability
  - Execute global operation reforms
  - Strengthen cost and investment management by product
[2] Cash Generation
- Establish strategies in safety and information area
- Strengthen electronically controlled and electrically driven products
- Expand sales to global customers through cross-sales

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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