
Hitachi IR Day 2016 Summary

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Hitachi, Ltd.

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- 1. Summary of the 2015 Mid-term Management Plan**
2. Outline of the 2018 Mid-term Management Plan

1. 2015 Mid-term Management Plan: Results

	FY2013 (IFRS)	FY2014 (IFRS)	FY2015 (IFRS) Initial Target*1 (US GAAP)	
Revenues	9,666.4 billion yen	9,774.9 billion yen	10,034.3 billion yen	10,000.0 billion yen
(ratio) Adjusted operating income*2	(6.3 %) 604.7 billion yen	(6.6 %) 641.3 billion yen	(6.3 %) 634.8 billion yen	Over 7%
(ratio) EBIT*3	(7.2 %) 691.2 billion yen	(5.5 %) 534.0 billion yen	(5.3 %) 531.0 billion yen	Over 7%
Net income attributable to Hitachi, Ltd. stockholders	413.8 billion yen	217.4 billion yen	172.1 billion yen	Over 350.0 billion yen
(margin) Operating Cash Flow (Manufacturing, Services and Others)	(4.8 %) 460.8 billion yen	(6.1 %) 586.4 billion yen	(8.6 %) 843.1 billion yen	-
Free Cash Flow (Manufacturing, Services and Others)	73.1 billion yen	137.2 billion yen	324.4 billion yen	-

*1 Announced on May 16, 2013

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

*3 EBIT (Earnings Before Interest and Taxes) is presented as income from continuing operations, before income taxes less interest income plus interest charges. © Hitachi, Ltd. 2016. All rights reserved.

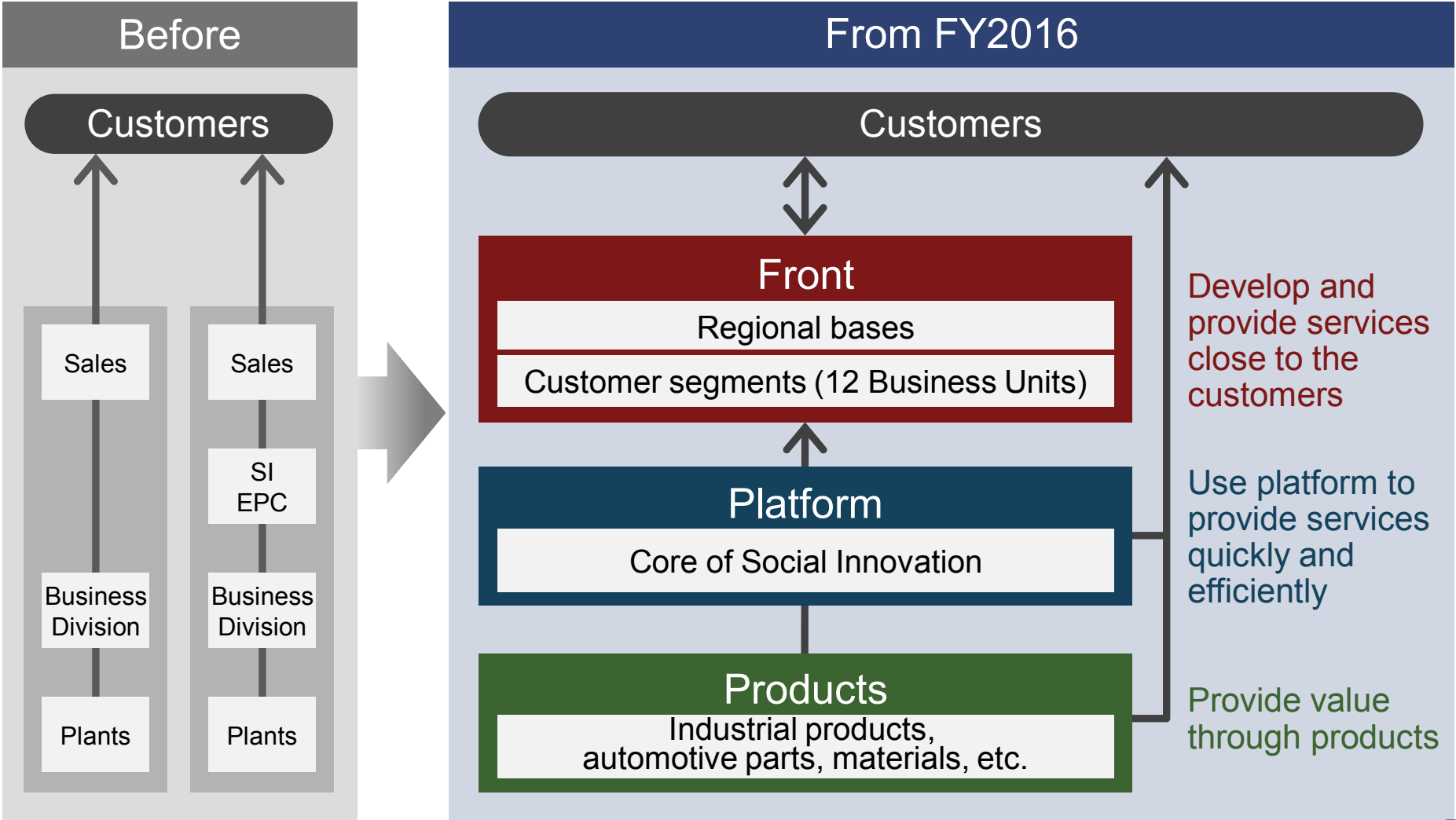
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2-1. Accelerating the Social Innovation Business

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



2-2. Hitachi Group's Position in FY2018

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

Front revenue ratio FY2015 36% → FY2018 40%

Front

Revenues: 3,596.9 → 4,000.0 billion yen

Target adjusted operating income ratio: 8%

Power / Energy

Revenues (billion yen)

519.5

550.0

FY2015

FY2018

Industry / Distribution / Water

Revenues (billion yen)

790.7

840.0

FY2015

FY2018

Urban

Revenues (billion yen)

1,056.5

1,400.0

FY2015

FY2018

Finance / Public / Healthcare

Revenues (billion yen)

1,230.2

1,380.0

FY2015

FY2018

Platform

Revenues: 278.6 → 330.0 billion yen

Target adjusted operating income ratio: 11%

Products

Revenues: 7,389.3 → 6,820.0 billion yen*

Target adjusted operating income ratio: 7%

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

2-3. 2018 Mid-term Management Plan Targets (1)

		FY2015	FY2018 Targets
1	Front business expansion	Front revenue ratio 36%	Front revenue ratio 40%
2	Global business expansion	Overseas revenue ratio 48%	Overseas revenue ratio Over 55%
3	Strengthening cash-generating capability	Operating cash flow margin*1 8.6%	Operating cash flow margin*1 Over 9%
4	Improving asset profitability	ROA*1,2 2.6%	ROA*1,2 Over 5%

*1 Manufacturing, Services and Others

*2 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

2-4. 2018 Mid-term Management Plan Targets (2)

	FY2015	FY2018 Targets
Revenues	10,034.3 billion yen	10,000.0 billion yen
Adjusted operating income ratio	6.3%	Over 8%
EBIT ratio	5.3%	Over 8%
Net income attributable to Hitachi, Ltd. stockholders	172.1 billion yen	Over 400.0 billion yen

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

Evolution of Hitachi Smart Transformation

	FY2015	FY2018 Target
CCC* ¹	71.6 days	70 days
Gross Profit Margin	25.7%	Over 28%
SG&A* ² Margin	19.3%	20%

*1 CCC (Cash Conversion Cycle) of Manufacturing, Services and Others

*2 SG&A: Selling, General and Administrative expenses(including R&D expenditure)

Supplementary Information

【Supplementary Information(1)】 Financial Results and Forecasts in the Segment Information

Segment	Business Unit(BU)/ Subsidiary/Business	FY2015 (Results)			FY2016 (Forecasts)		
		Revenues (billions)	Adjusted operating income (billions)	Adjusted operating income ratio	Revenues (billions)	Adjusted operating income (billions)	Adjusted operating income ratio
Information & Telecommunication Systems	-	2,109.3	141.3	6.7%	2,040.0	143.0	7.0%
Front Business	Financial Institutions BU	1,429.8	120.5	8.4%	1,420.0	120.0	8.5%
	Government & Public Corporation BU						
	Other Front Business						
IT Platform & Products	IT Platform	786.5	19.9	2.5%	750.0	27.0	3.6%
	IT Products						
Social Infrastructure & Industrial Systems	Nuclear Energy BU	2,333.1	81.3	3.5%	2,340.0	100.0	4.3%
	Power BU						
	Energy Solutions BU						
	Industrial & Distribution BU						
	Water BU						
	Industrial Products BU						
	Building Systems BU						
	Railway Systems BU						
	Urban Solutions BU						
	Defense Systems BU						
	Control System Platform, Others						
Electronic Systems & Equipment	Healthcare BU	1,127.6	67.0	5.9%	1,180.0	65.0	5.5%
	Hitachi High-Technologies						
	Hitachi Kokusai Electric						
	Hitachi Koki						
Construction Machinery	Hitachi Construction Machinery	758.3	22.6	3.0%	720.0	34.0	4.7%
High Functional Materials & Components	Hitachi Metals	1,564.0	125.9	8.1%	1,500.0	132.0	8.8%
	Hitachi Chemical						
Automotive Systems	Hitachi Automotive Systems	1,001.1	61.9	6.2%	1,000.0	60.0	6.0%
	Clarion						
Smart Life & Ecofriendly Systems	Hitachi Appliances	681.0	23.8	3.5%	610.0	16.0	2.6%
	Hitachi Consumer Marketing						
Others	Hitachi Transport System, others	1,252.7	52.5	4.2%	645.0	11.0	1.7%
Financial Services	Hitachi Capital	365.3	45.2	12.4%	130.0	15.0	11.5%
Corporate items & Eliminations	-	(1,158.4)	13.0	-	(1,165.0)	(36.0)	-
Total (Consolidated)	-	10,034.3	634.8	6.3%	9,000.0	540.0	6.0%

Legend: Information & Telecommunication Systems Segment

Social Infrastructure & Industrial Systems Segment

Electronic Systems & Equipment Segment

【Supplementary Information(2)】 Field-specific Figures in the 2018 Mid-term Management Plan

Domain	Business Unit(BU)/Business	FY2015 (Results)		FY2016 (Forecasts)		FY2018 (Targets)	
		Revenues (billions)	Adjusted operating income Ratio	Revenues (billions)	Adjusted operating income Ratio	Revenues (billions)	Adjusted operating income Ratio
Front	-	3,596.9	5.6%	3,600.0	6.0%	4,000.0	8.0%
Power / Energy	Nuclear Energy BU	519.5	2.2%	463.0	0.6%	550.0	7.1%
	Power BU						
	Energy Solutions BU						
Industry / Distribution / Water	Industry & Distribution Business	790.7	0.0%	765.0	3.5%	840.0	7.5%
	Industry & Distribution BU						
	Front Business (IT for Industry & Distribution domain)						
	Water BU						
Urban	Building Systems BU	1,056.5	8.7%	1,150.0	7.5%	1,400.0	9.0%
	Railway Systems BU						
	Urban Solutions BU						
	Defense Systems BU						
Finance / Public / Healthcare	Financial Institutions BU	1,230.2	8.1%	1,220.0	8.2%	1,380.0	11.0%
	Government & Public Corporation BU						
	Front Business (excluding IT for Industry & Distribution domain)						
	Healthcare BU						
Platform	Services & Platforms BU	278.6	8.4%	280.0	5.7%	330.0	11.0%
	IT Platform						
	Control System Platform						
Products	Industrial Products BU	7,389.3	5.5%	6,350.0	5.5%	6,820.0	7.0%
	IT Products						
	Electronic Systems & Equipment (excluding Healthcare BU)						
	Construction Machinery						
	High Functional Materials & Components						
	Automotive Systems						
	Smart Life & Ecofriendly Systems						
	Others						
	Financial Services						
Corporate items & Eliminations	-	(1,230.6)	-	(1,230.0)	-	(1,150.0)	-
Total (Consolidated)	-	10,034.3	6.3%	9,000.0	6.0%	10,000.0	8%+

【Supplementary Information(3)】 Items to be Explained at Hitachi IR Day 2016

Domain	Business Unit(BU)/ Business	FY2015 (Results)		FY2016 (Forecasts)		FY2018 (Targets)		Notes	
		Revenues (billions)	Adjusted operating income Ratio	Revenues (billions)	Adjusted operating income Ratio	Revenues (billions)	Adjusted operating income Ratio		
Front	Power / Energy	Power and Energy Business	519.5	2.2%	463.0	0.6%	550.0	7.1%	Performance in Energy Solutions BU includes IT systems business for the power systems and energy fields, which is posted in the Information & Telecommunication Systems Segment. However performance for the power systems and energy businesses do not include this figure.
		Nuclear Energy BU	187.2	-	150.0	-	165.0	-	
		Power BU	284.9	-	275.0	-	320.0	-	
		Energy Solutions BU	85.1	-	75.0	-	110.0	-	
	Industry / Distribution / Water	Industry & Distribution Business	714.6	(1.3)%	690.0	3.6%	740.0	7.5%+	Performance in the Industry & Distribution Business includes the IT systems business targeting the industry and distribution fields, which is posted in the Information & Telecommunication Systems Segment.
		Industry & Distribution BU	459.2	-	-	-	-	-	
		Water Business	128.7	-	-	-	150.0	-	Performance figures for the water business include pump business targeting the water field in the Industrial Products BU.
		Water BU	73.3	4.7%	75.0	3.0%	90.0	8.0%	
	Urban	Building Systems BU	650.9	10.3%	600.0	9.6%	650.0	11.0%	
		Railway Systems BU	352.6	6.1%	500.0	5.5%	640.0	8.0%	
		Urban Solutions BU	-	-	-	-	-	-	
	Finance / Public / Healthcare	Financial Institutions BU	379.8	-	370.0	-	385.0	-	Financial results for the Systems & Services Business which consists of Information & Telecommunication Systems Segment including Financial Institutions BU and Government & Public Corporation BU (Unit: Billions of yen) FY2015/ Revenues:2,109.3, Adjusted Operating Income Ratio: 6.7% FY2016/ Revenues:2,040.0, Adjusted Operating Income Ratio:7.0% FY2018/ Revenues:2,200.0, Adjusted Operating Income Ratio:10.0%
		Government & Public Corporation BU	218.9	-	210.0	-	210.0	-	
Healthcare Business		332.6	7.6%	336.0	7.4%	440.0	10.0%	Performance figures for the Healthcare business include products business at Hitachi High-Technologies Corporation and other entities.	
Healthcare BU		176.3	-	-	-	-	-		
Platform	Services & Platforms BU	278.6	8.4%	280.0	5.7%	330.0	11.0%		
Products	Industrial Products BU	372.3	2.1%	350.0	4.0%	400.0	8.0%		
	Automotive Systems Business	1,001.1	6.2%	1,000.0	6.0%	1,100.0	7.0%		

【Supplementary Information(4)】 Growth Strategy(1) Expanding Global Businesses

Ratio of Overseas Revenues		FY2015 (Results)	FY2016 (Forecasts)	FY2018 (Targets)
	Total	48%	50%	Over 55%
	Power and Energy Business	9%	13%	16%
	Industry & Distribution Business	15%	15%	19%
	Water BU	8%	17%	27%
	Building Systems BU	59%	57%	58%
	Railway Systems BU	71%	86%	83%
	Systems & Services Business (including Financial Institutions BU and Government & Public Corporation BU)	33%	34%	37%
	Healthcare Business	64%	64%	70%
	Industrial Products BU	27%	27%	30%
Automotive Systems Business*	60%	61%	63%	

* Overseas revenue ratio for global customer bases

【Supplementary Information(5)】 Growth Strategy(2) Strengthening Capability to Generate Cash

		FY2015 (Results)	FY2016 (Forecasts)	FY2018 (Targets)
CCC	Total	71.6 days	84 days	70 days
	Power and Energy Business	87 days	91 days	75 days
	Industry & Distribution Business	53 days	85 days	79 days
	Water BU	22 days	22 days	30 days
	Building Systems BU	44 days	48 days	46 days
	Railway Systems BU	84 days	135 days	55 days
	Systems & Services Business (including Financial Institutions BU and Government & Public Corporation BU)	62 days	59 days	59 days
	Healthcare BU	140 days	116 days	92 days
	Industrial Products BU	-	111 days	105 days
	Automotive Systems Business	42 days	41 days	41 days

* Number of days, rounded off to whole numbers (except for overall performance in FY2015)

THE FUTURE IS OPEN TO SUGGESTIONS

Hitachi Social Innovation

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

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.

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