
2015 Mid-term Management Plan

Progress and Prospects

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1. Outline of 2015 Mid-term Management Plan

2015 Mid-term Management Plan

- Achieving Growth and Hitachi's Transformation -

Innovation

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

Global

Deliver Innovation to Customers and Society globally

Transformation

Transform Hitachi:
To deliver innovation by standardized and speedy operation



2. Fiscal Year 2013 Progress Overview

2-1. Business Performance of FY2012-FY2015

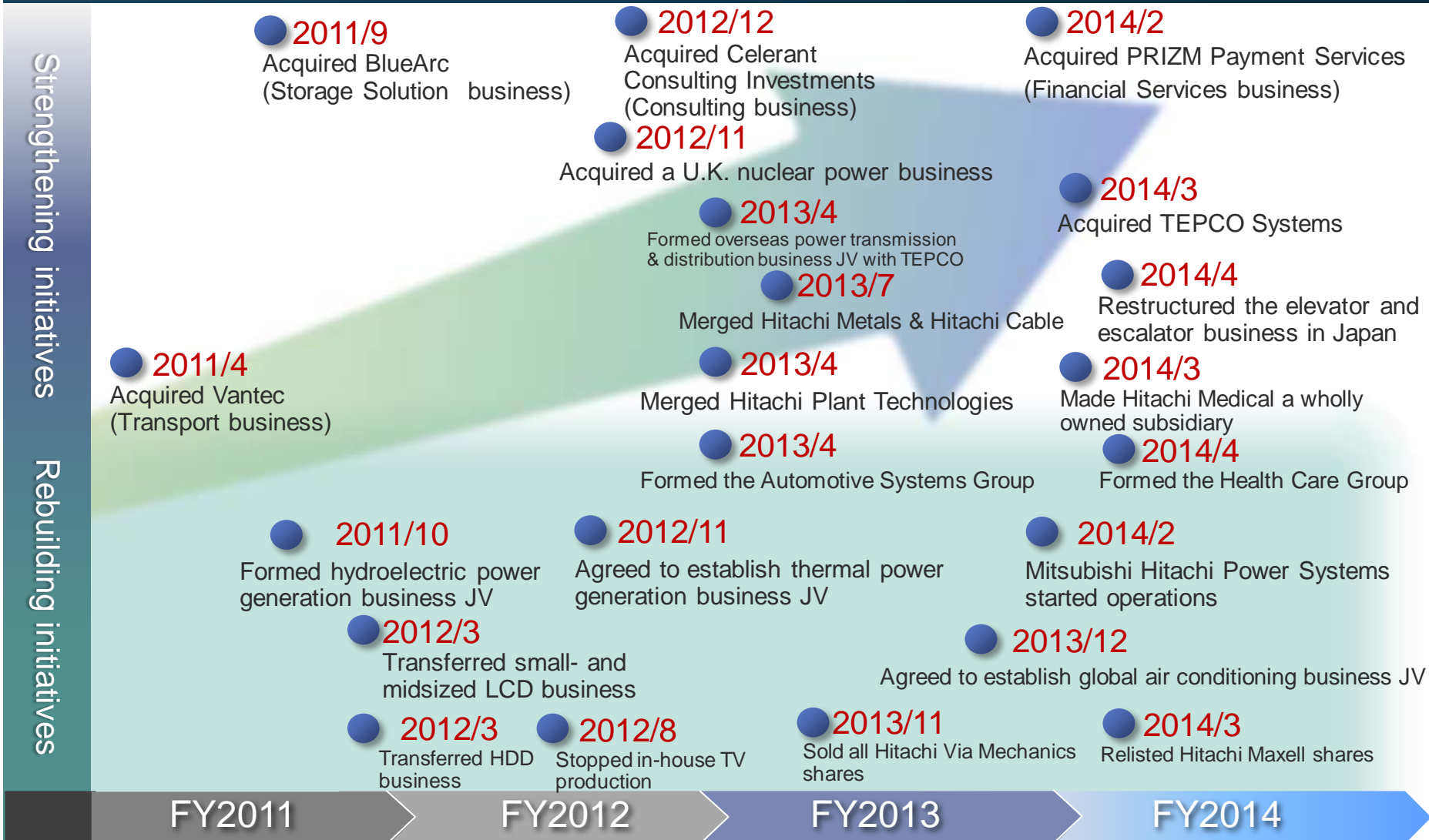
	FY2012 (Actual)	FY2013 (Actual)	FY2014 (Outlook)	FY2015 (Target)
Revenues	9,041.0 billion yen	9,616.2 billion yen	9,400.0 billion yen	10 trillion yen
Operating income ratio (EBIT*1ratio)	4.7% (4.0%)	5.5% (6.0%*2)	6.0% (5.5%)	Over 7% (Over 7%)
Net income attributable to Hitachi, Ltd. stockholders	175.3 billion yen	264.9 billion yen	230 billion yen	Over 350 billion yen
Total Hitachi, Ltd. stockholders' equity ratio (Manufacturing, services & others)	23.2%	27.4%	28.0%	Over 30%

*1 EBIT: Earnings before Interest and Taxes

*2 FY2013 Adjusted EBIT Ratio 4.7% (excluding the gain associated with integration of the thermal power generation systems business)

2-2. Progress Overview (1) [Portfolio Realignment]

Active investment for IT business and for business expecting synergies with IT



Delivering solid results for 2015 Mid-Term Management Plan

Service revenue ratio

FY12 (Actual)	FY13 (Actual)	FY14 (Outlook)	FY15 (Target)
30%	32%	35%	Over 40%

- UK Rail Intercity Express Programme (IEP)
 - ◎ Financial close for 866 rolling stocks (122 train sets)
 - ◎ Providing with maintenance over a 27.5 year period
 - ◎ Gaining the profits since FY2013
- Water Purification Plants
 - ◎ Dahej, India and Basrah, Iraq

Overseas revenue ratio

FY12 (Actual)	FY13 (Actual)	FY14 (Outlook)	FY15 (Target)
41%	45%	47%	Over 50%

- Leading U.S. hospital Mayo Clinic
 - ◎ Proton beam therapy systems, IT systems for medical treatment
- Saudi Aramco
 - ◎ Centrifugal Compressors for Pipelines
- Big Data Research Laboratory
 - ◎ U.S., U.K. and other locations

Cost reduction benefits

FY12 (Actual)	FY13 (Actual)	FY14 (Outlook)	FY15 (Target)
75 B Yen	110 B Yen	90 B Yen	90 B Yen

- Hitachi Smart Transformation (ongoing)
- Operational management reforms
(launched October 2013)
- Review of cash efficiency
(launched December 2013)

3. Execution of Business Growth Measures

Economic conditions

- Growth ratios in emerging countries are spread out. India and Brazil tend to have weak momentum.
- Chinese economy growth remains around 7%.
- Global competitiveness of the U.S. industry has recovered and manufacturing industry is returning to the U.S.
- European market is behind in recovery due to the prolongation of the debt crisis.

Market and customer trends

- The shale gas revolution is making energy-supply portfolio change and the oil & 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.

Continuing initiatives for improving profitability and for countering to business environment changes

Continuing initiatives

■ Expand the Social Innovation Business

Mid / long term
business growth

“Toward true partnership with customers
by providing innovation through products, IT and services”

- Infrastructure Systems Group: Expand global business
- Information & Telecommunication Systems Group: Focus on Services business

New initiatives

■ Initiatives for 2015 Mid-term Management Plan

Short term
sales and profits growth

- Global strategy:
Sales growth in North America and China in addition to gaining the profits in Asia.
- Competitive products: Drive sales growth
- Service business expansion: Drive revenues and profits growth.
- Evolving the Hitachi Smart Transformation Project:
Develop cash-generating capability.

3-3. Social Innovation Business

Toward true partnership with customers

3-3. Social Innovation Business(1)

“2015 Mid-Term Management Plan” with Expanding Social Innovation Business Globally



Water business growth in Asia and the Middle East

Large-scale overseas projects

- Dahej (India): Seawater desalination PJ
 - EPC*1 and 30-year supply of industrial water
- Basrah (Iraq): Water purification PJ
 - One of Iraq's largest water purification facilities (scale of order: approx. 25.0 billion yen)
 - EPC and 5-year operation and maintenance services

Strategic partnering

- Upstream consulting, collaboration with strategic partners (Hyflux, OTV, etc)

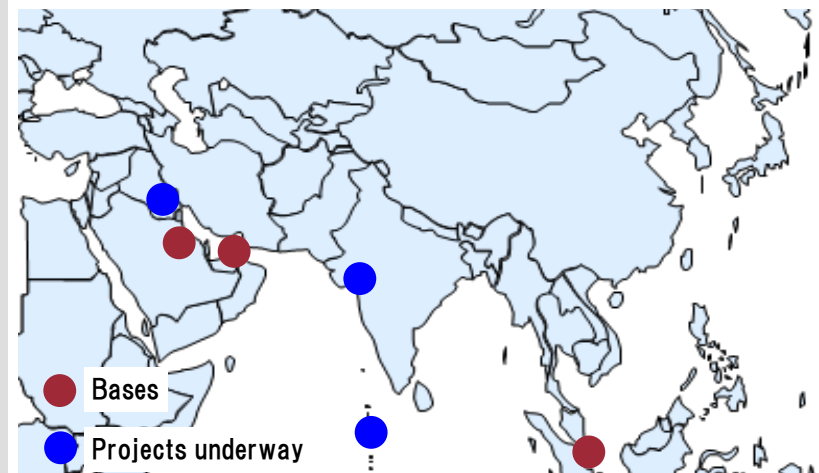
IT utilization

- Intelligent water systems
- Solutions as "One Hitachi"

Expanding water business

- Effective use of water resources
- Expanding the products sales (RO*2 facilities, etc) and EPC
- Growing operating services
- Focus regions: Asia and the Middle East

Main bases and projects underway in Asia and the Middle East

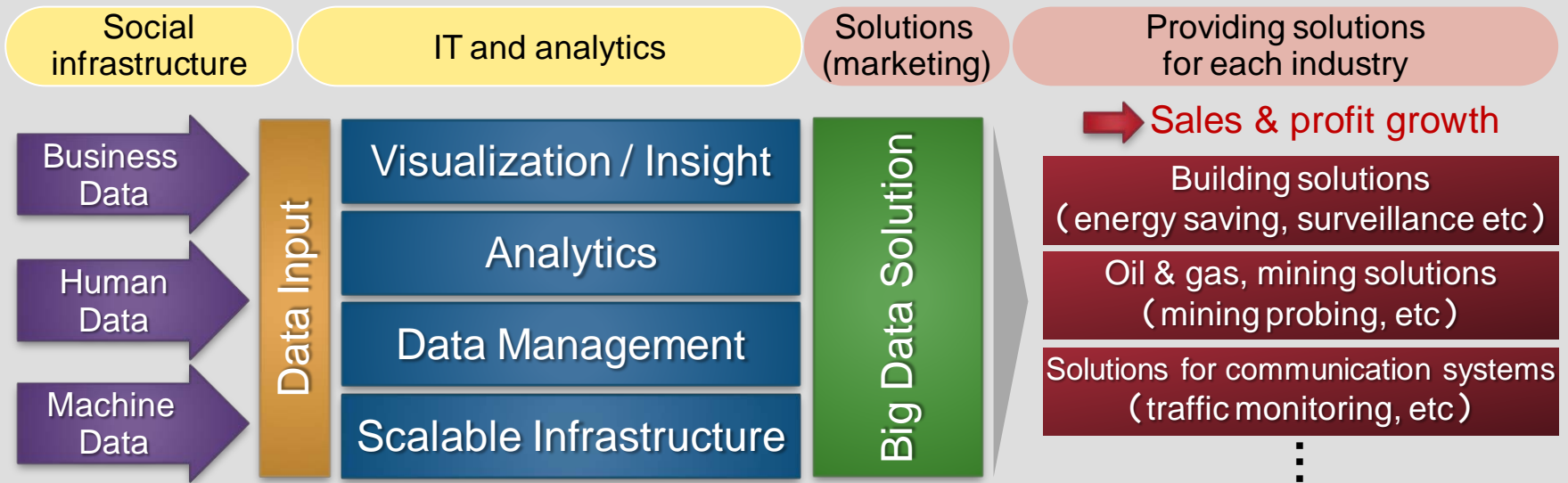


*1: Engineering, Procurement and Construction

*2: Reverse Osmosis

Strengthening solutions business centered on North America

- Strengthening solution (Big data) business with Hitachi Consulting and Hitachi Data Systems



- Increasing sales and profits through one-stop solution with integrated Hitachi Group's products and services

Example: Energy saving solution for buildings

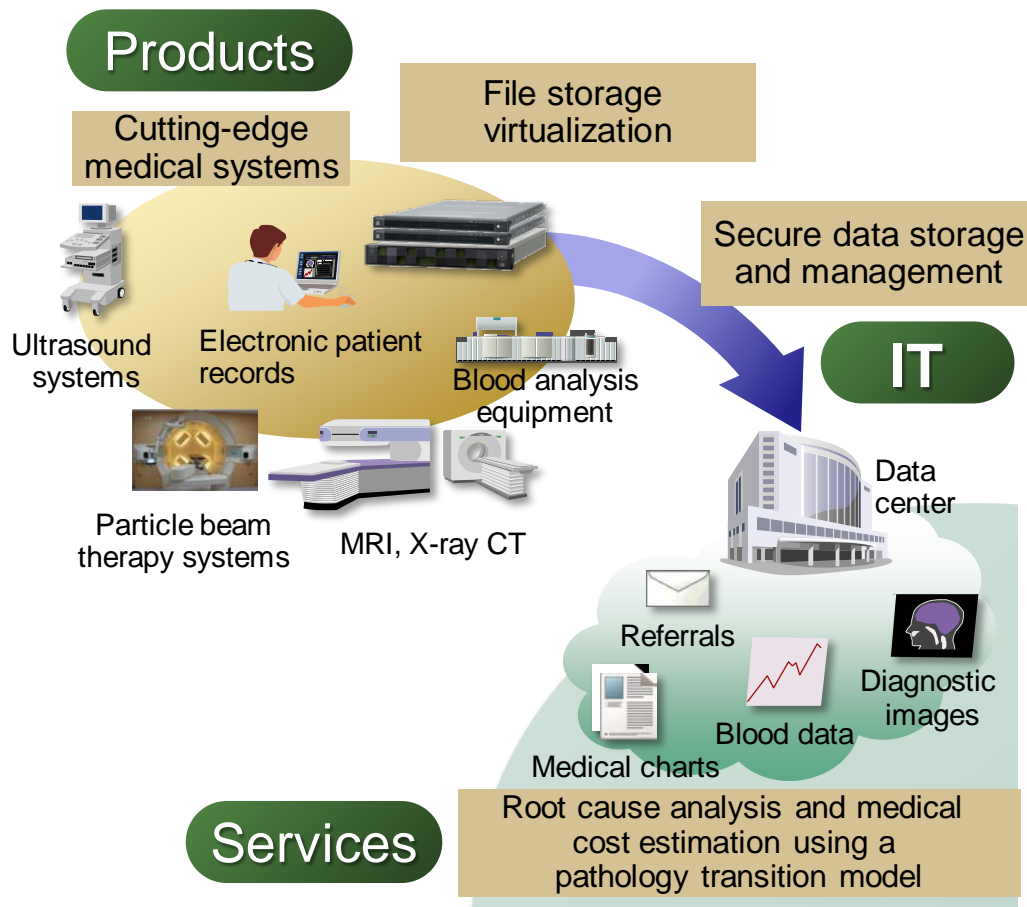
- ✓ Consulting: Hitachi Consulting
- ✓ Products and services: Hitachi Industrial Equipment Systems (Inverters), etc.
- ✓ Finance: Hitachi Capital



2013 AT&T Supplier Sustainability Award

Solutions business throughout the entire care cycle with products, IT and services

- Various services by integrating securely-stored data in each care stage such as prevention, screening, diagnosis, treatment and post-treatment care



Prevention and Check-ups

EHR(Electronic Health Record)
PHM(Population Health Management)

- Diet program (installation results from over 200 companies, etc.)
- Hitachi life microscope, etc.

Screening, Diagnosis, Treatment

Clinical department related (disease related) system
Treatment planning system
Patient monitoring at hospital
Administration analysis

Post-treatment care

Home treatment, Home care,
Patient monitoring at home

Expanding healthcare business with competitive care cycle service

Treatment

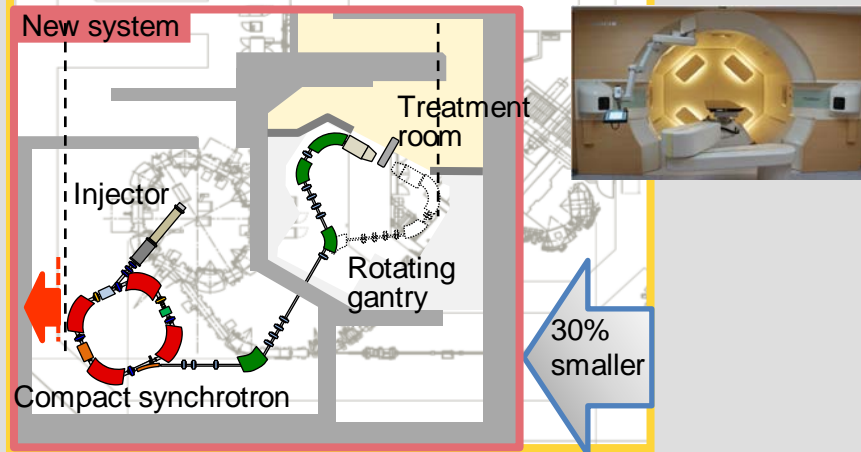
- Wide-range of products effective for cancer treatment, such as X-ray therapy systems and particle beam (proton and heavy particle beam) therapy systems

Particle beam therapy systems

- 11 orders received globally, mainly in Japan and North America
- Spot scanning irradiation and real-time, tumor-tracking radiation
- Compact footprint 30% smaller than in the past *1

Conventional system

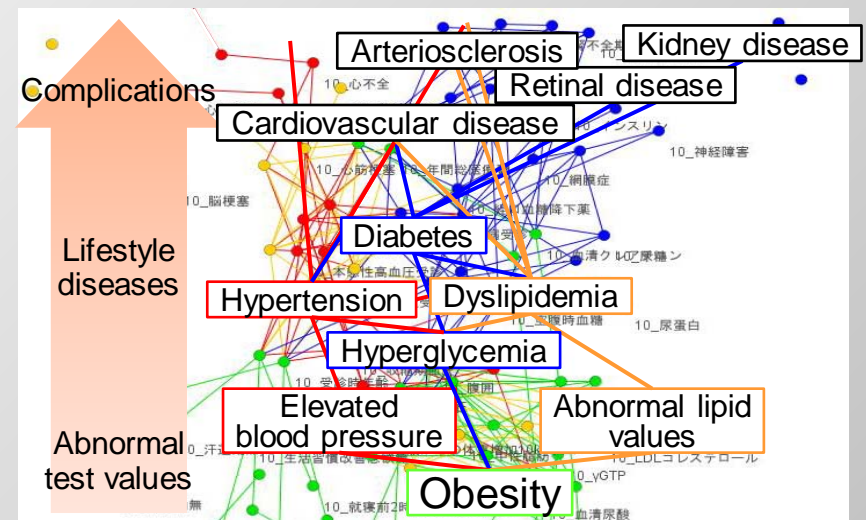
New system



Prevention & Check-ups

- Pathology transition model using Big Data at Hitachi Health Insurance Society (Hitachi-kenpo)
- Services for predicting total future medical costs for lifestyle diseases

Pathology transition model



Hitachi-kenpo
Approx. 110,000
members

Prediction error for
total medical cost:
Under 5% on average

*1 case of Proton beam therapy systems

Rebuild Japanese social infrastructure with Hitachi's innovation

Finance : Increased IT Investment

- Reinvestment in IT system & global expansion (IT investment volume: approx. 1.7 trillion yen/ Year)



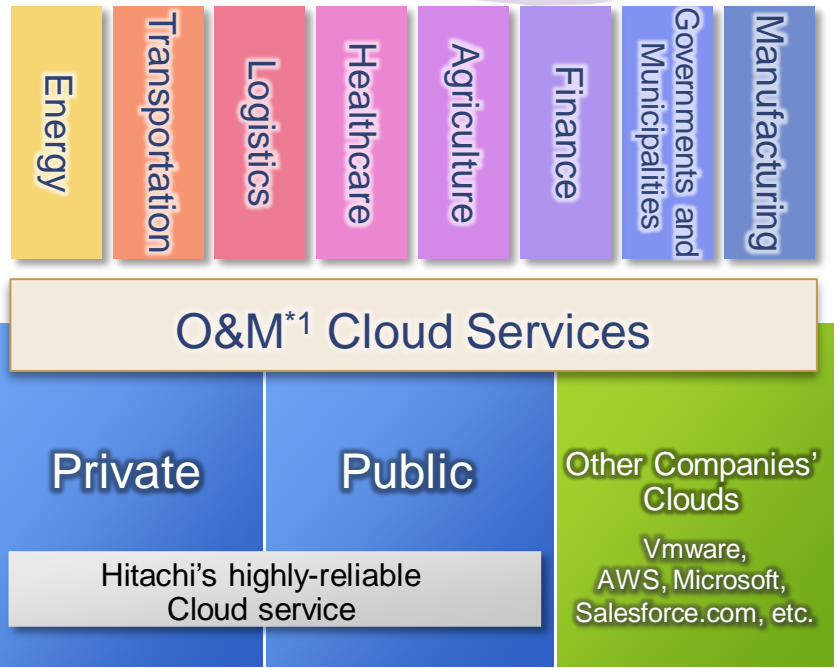
- Increase mega & major banks projects
 - 24 hours trading
- Expand Asian business
 - Payment service (Prizm (India))

Public : National Resilience, Safety

- Introduction of the Social Security Number System and Consolidation of the Pension System
- Renovation of Public Administration IT System (IT investment volume: approx. 1.6 trillion yen/ Year)

Power : Electricity System Reform

- Nationwide Operation System
- Consumer's electric usage data Management System for electric power seller



*1: Operation & Maintenance

3-4. Global Strategy

Sales growth in North America and China in addition to Asia

Sales growth in North America and China in addition to Asia

Europe



- Railway
- Nuclear power
- Healthcare

(FY2013)
812.1 billion yen

(FY2015)
860.0 billion yen
[5.9%]

China

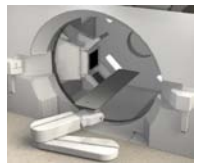


- Buildings
- Governments
- Construction
- Finance
- Healthcare

(FY2013)
1,073.6 billion yen

(FY2015)
1,220.0 billion yen
[13.6%]

North America



- Automobiles
- Finance
- Oil and gas
- Power
- Healthcare

(FY2013)
910.2 billion yen

(FY2015)
1,000.0 billion yen
[9.9%]

Asia



- Energy
- Water
- Buildings
- Railway
- Manufacturing
- Automobiles

(FY2013)
989.9 billion yen

(FY2015)
1,290.0 billion yen
[30.3%]

Further increases planned in North America and China

North America: Automobile business

- Production expansion in Mexico and strengthen regional synergies in the Americas
 - Installed new base for automotive components in Mexico corresponding to automakers' expansion into Mexico, and began mass production (April 2014)
 - Supply to American automakers by leveraging the North America Free Trade Agreement (NAFTA)



China: Building business

- Focus on growing market

- Deliver 95-unit elevators to Guangzhou CTF Financial Centre, including two of the world's fastest*1 models (1,200 m/min) (2016)



Guangzhou CTF Finance Center (image)

- Upgrade and enhance the production, sales and maintenance service network using four-area management system in China (Guangzhou, Shanghai, Tianjin and Chengdu)

Commenced elevator production base in Chengdu, China (July 2013)



*1: As of April 21, 2014. Hitachi research

Transformation from “globalization of operations” to “globalization of management”

- Speed up businesses by management in areas closer to customers
 - Railway systems business: created Global CEO post (U.K., from April 2014)
 - Information & telecommunication systems business:
created Global Service Business Promotion Officer post (U.S., from April 2014)

Globalization of R&D

- Promote R&D solves customer’s issues in areas closer to the customers
- Leverage global resources and implement R&D globally



*1: Total number of overseas researchers

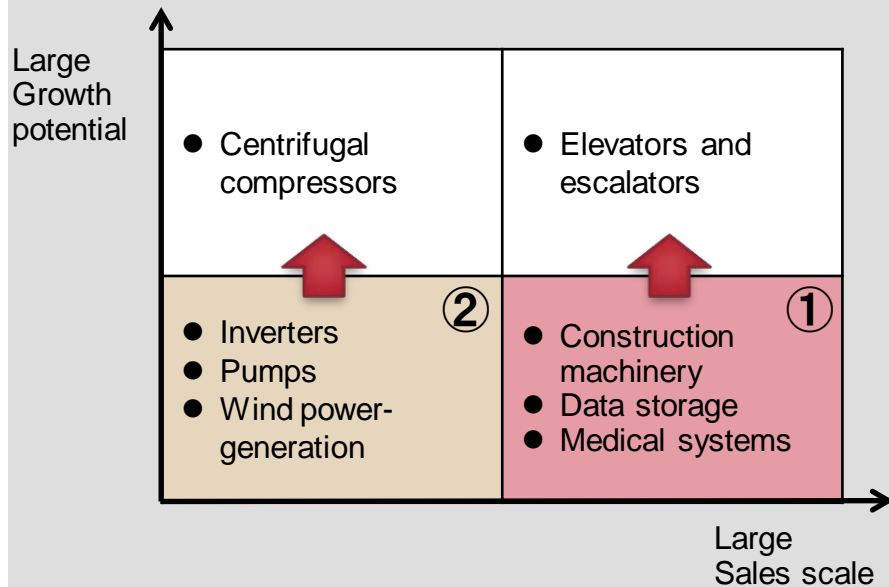
3-5. Competitive Products

Driving sales growth

Short-term sales growth through product competitiveness and sales capabilities

Direction

Sales and growth ratio in main products



- ① Large potential for sales growth
- ② Key products for creating services and solutions business

Initiatives

Data storage

- Provide IT platform with features surpass competitors' function and performance

Medical systems

- Integrated and strengthen the healthcare business

Construction machinery

- Quick response to growing markets by strengthening the global supply chain

Wind power generation

- Cultivate offshore wind power generation market with 5MW wind turbines

Inverters, pumps, and motors, etc.

- Needs-oriented, one-stop services for customers & markets using regional bases

New products for customers and society

IT platform business

Needs

- High-speed, large-volume data access for Big Data analytics that creates value
- Scalability to flexibly respond to rapid changes in business environments

Enterprise data storage platform (April 2014)

- High-speed data access that is three times faster than conventional
- Uninterrupted systems extension using virtualization technology that newly developed



Hitachi
Virtual Storage Platform G1000

Power generation business

Needs

- Offshore wind power generation market growth following the determination of the FiT*1 purchase price
- Requirements for reliable and high-power systems with high quality operation and maintenance

5MW downwind turbine (FY2015)

- First half of FY2014: Begin field tests
- FY2015: Market launch

5MW downwind-type offshore wind power generation system (HTW 5.0-126) (image)

Rated output: 5MW
Rotor diameter: 126 m
Hub height: Approx. 90 m



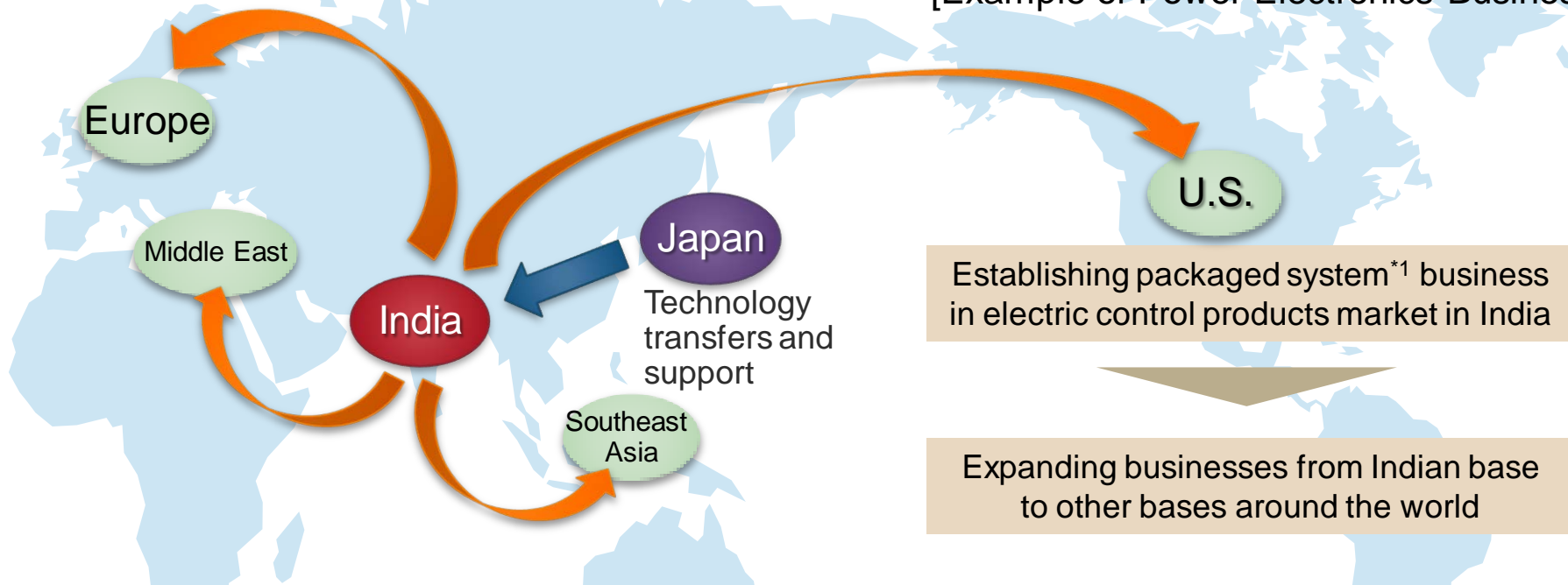
*1: Feed-in Tariff

3-5. Competitive products(3) [Sales Strategy]

Strengthen competitiveness with overseas expansion of operations and management

- Provide one-stop, packaged system and solution matching market needs
- Increase investment for sales channel growth in each market
(Example of industrial equipment: Increasing 80 sales bases in China, Asia, Europe and U.S. [FY2012→FY2015])

[Example of Power Electronics Business]



Introduce outside production for outside sales model to other products and regions (elevator and escalator business in Thailand, etc.)

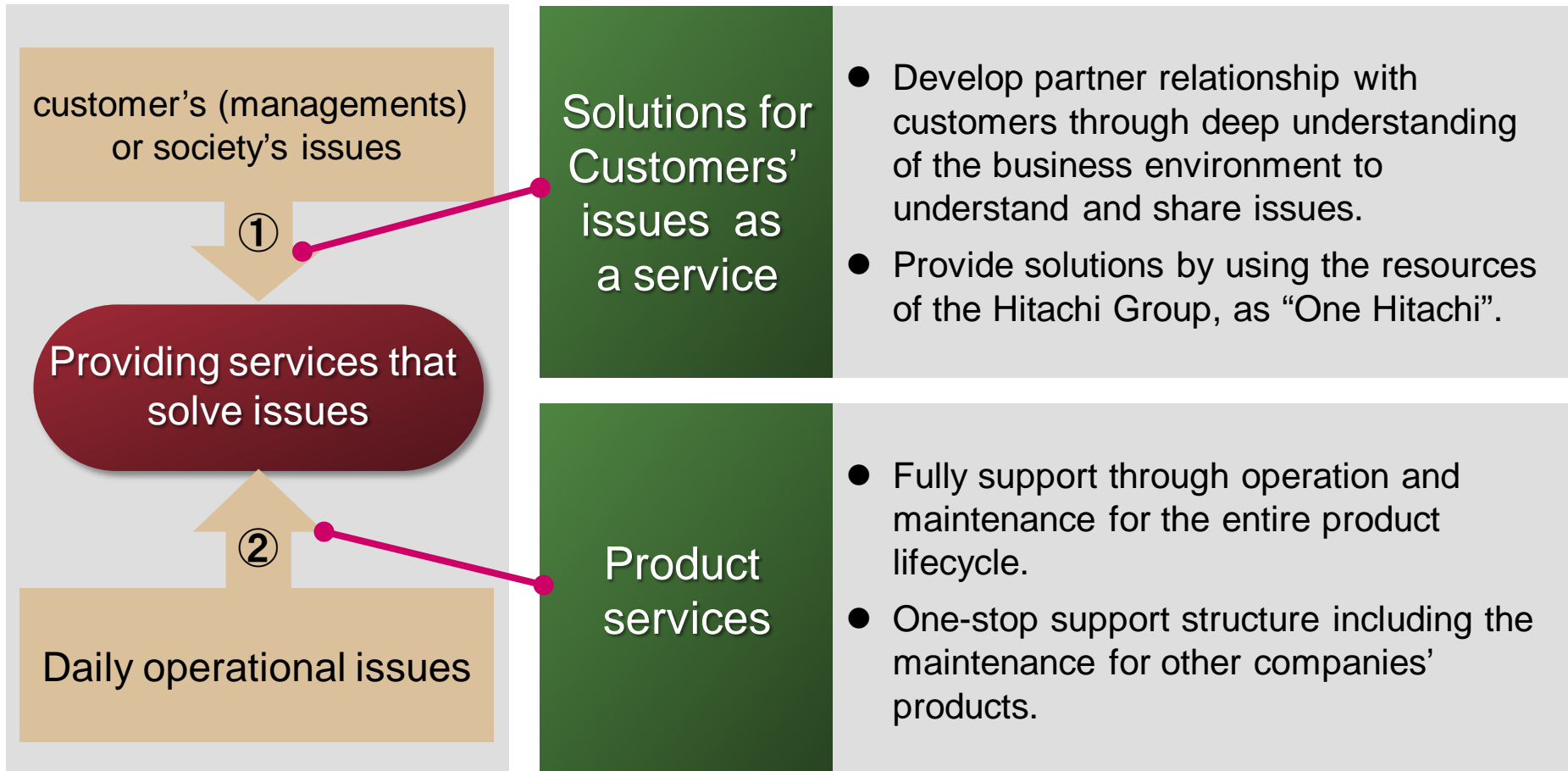
*1 "Motors•inverters•PLC(Programmable Logic Controller)" + "transformers, switchgear and digital control system", etc.

3-6. Expansion of Service Business

Driving revenues and profits growth

Innovative services to drive revenues and profits growth

- Create new service sales organization and strengthen service businesses



3-6. Expansion of Service Business (2) [Service for Products]

Improve the maintenance contract rate and expand maintenance for other companies' products

China and the rest of Asia: Buildings business

Product sales + free warranty contract

Increase sales of elevators and escalators in China and the rest of Asia (accounts for 75% of the global demand for new installations) and expand the new installation base

Maintenance services (fee-based warranty contract)

Switching to a **"fee-based"** contract after the expiry of the free warranty period
Expand "fee-based contract" in China and other Asian countries

Revenues and profit growth

Market volume of elevators and escalators ready for modernization (20 years or more)



Middle East: Oil and gas business

- Signed comprehensive agreement for the supply of compressors with Saudi Aramco (June 2011)
 - Acquired Saihati Weir Engineering Services, Saudi Arabia, to expand maintenance services including other companies' products (December 2011)



Hitachi Saihati Engineering Services Co., Ltd.



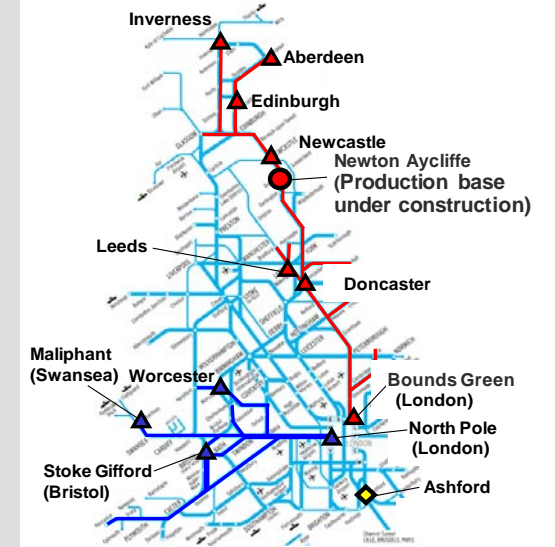
Transform rolling stock business into a solution business with a new business model

■ UK IEP Rail Business

- Provide rolling stocks with maintenance service for 27.5 years. Gaining the profits since FY2013
- Number of rolling stocks: 866
369 (contracted in 2012), 497 (contracted in April 2014)
- New factory in UK (Newton Aycliffe, 2016)
Existing Ashford depot + 11 depots
- Solutions for issues in UK Railways: Increasing rolling stocks operating ratio and measures to the aging rail cars

■ Expansion to European rail business

- Global CEO (UK, April 2014)
- Obtained ETCS*1 certification in FY2013
(the first for a Japanese company)

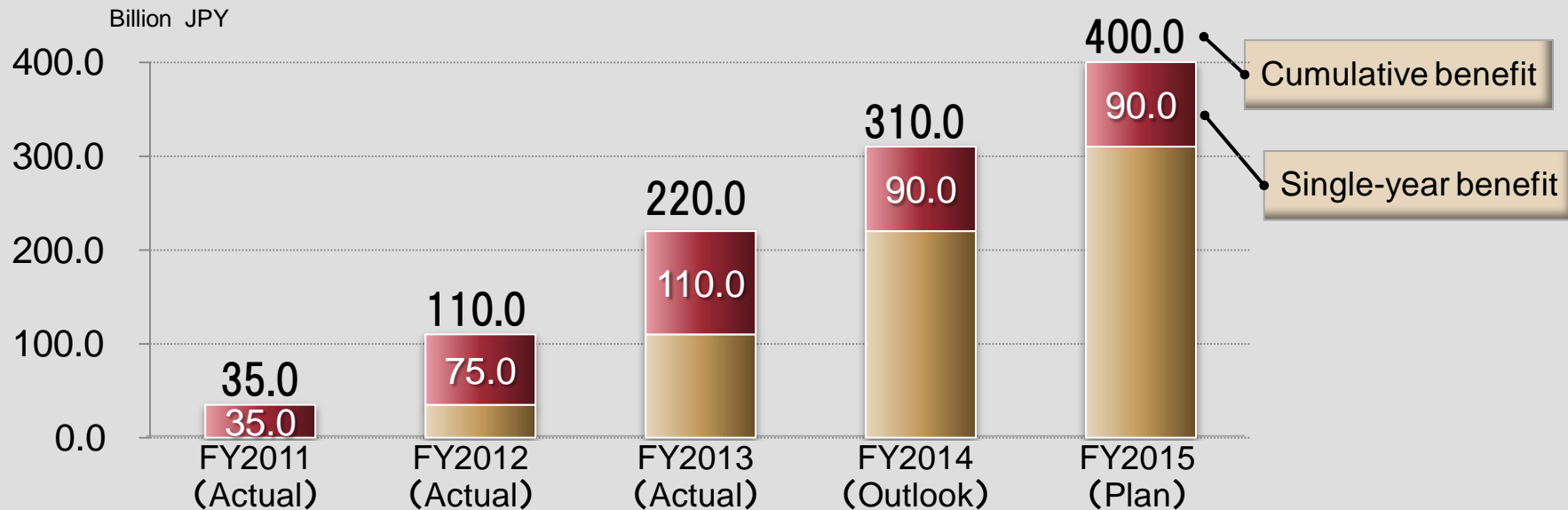


*1: European Train Control System

3-7. Evolution of the Hitachi Smart Transformation Project

Developing cash-generating capability

Achieved cost reduction benefits of 110.0 billion yen in FY2013



Establish new projects to boost operation efficiency and cash flow efficiency

- Operational management reforms
 - Optimize the supply chain from demand prediction to service delivery by “end to end” viewpoint
- Review capital efficiency
 - Maximize assets turnover according to business models

Achieve further cost reductions and cash generation by looking at the entire business flow

Evolution of Hitachi Smart Transformation Project

- Maximize sales and minimize inventories by taking prompt actions in response to changes in markets and customers
- Review end to end operations
- ➔ Revenues and profits growth and cash generation

Other activities

- Operational management reforms
- Review of cash efficiency
- Supply chain optimization
- IT utilization and visualization

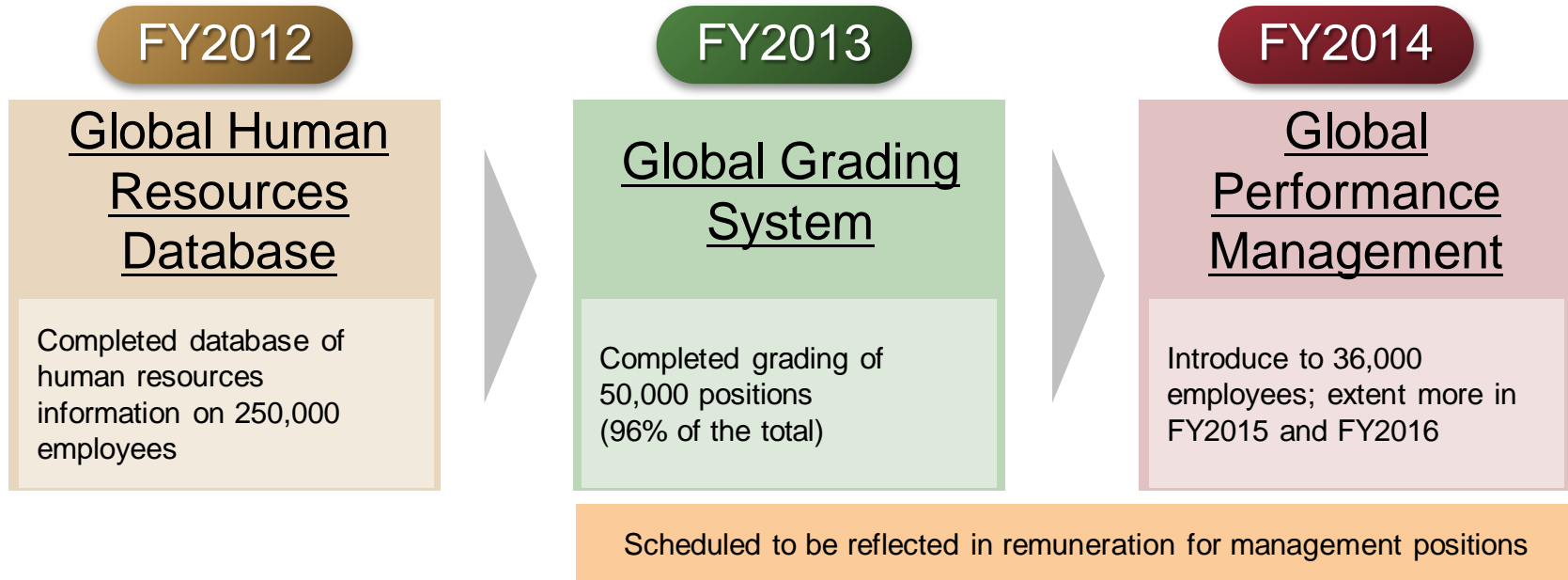
Integration

Key action from FY2014 : From “Dot” to “Line” and then “Plane” and maximize accomplishments

- ① Directly link management targets to frontline operations
 - Set KPI trees directly linked to management targets for each business according to characteristics of each business
- ② Shift from “**Function focus reform**” to “**Process focus reform**”
 - Review the each function’s activity with the viewpoint of total operational flow as “end to end” approach

Leverage global talent to lead businesses

- Introduce global performance management



- Establish a Group-wide, global human resources management platform
- Maximize performance by strengthening the alignment of targets between organizations and individuals
- Make a unified global effort to successfully place the right people in the right assignment

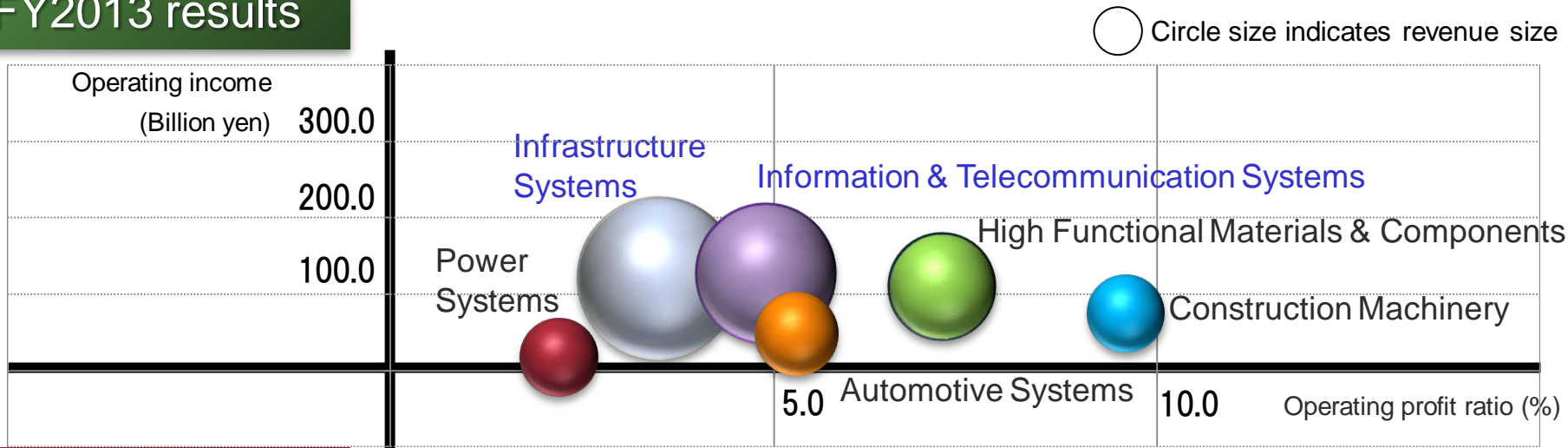
Establish the best “people and organizations” that increase a global competitiveness

4. 2015 and Beyond

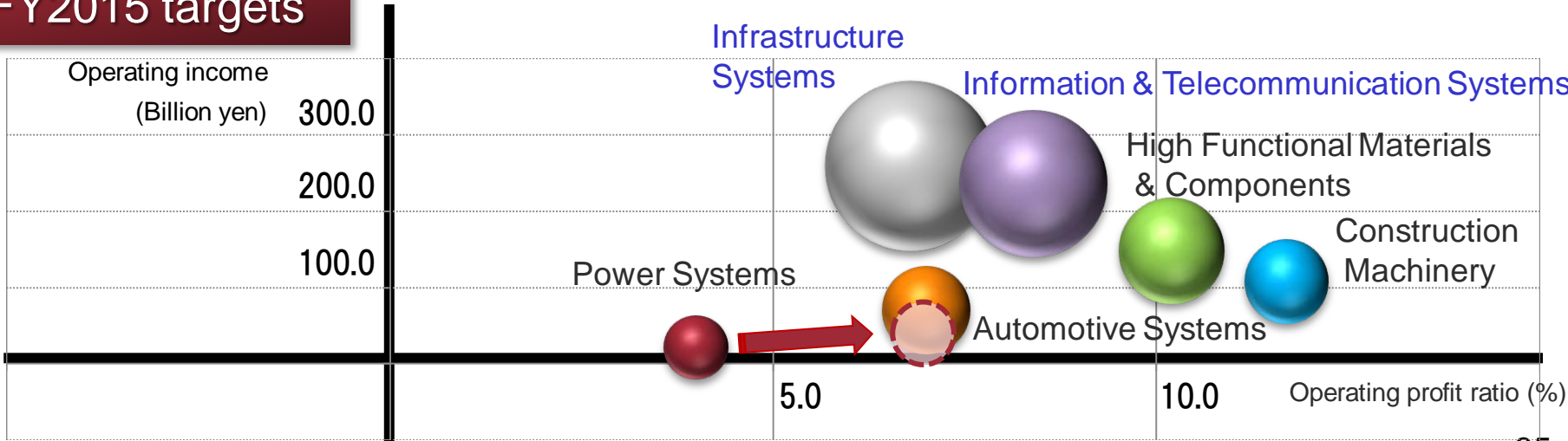
4-1. Toward the Mid-term Management Plan Goals Position Charts **HITACHI** Inspire the Next

Growth will be driven by Infrastructure Systems and Information & Telecommunication Systems

FY2013 results



FY2015 targets



Steady implementation of Mid-term Management Plan and achieve further growth

	FY2015 Target
Revenues	10 trillion yen
Operating Income (EBIT) Ratio	Over 7%(Over 7%)
Net Income attributable to Hitachi, Ltd. stockholders	Over 350 Billion yen
Net income attributable to Hitachi, Ltd. stockholders per share	Over 70 yen
Total Hitachi, Ltd. stockholders' equity ratio (Manufacturing, Services & Others)	Over 30%



Serving the World with
Our Social Innovation Business

SOCIAL INNOVATION - IT'S OUR FUTURE

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;
- rapid technological innovation;
- 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;
- 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 information technology products and digital media-related products and intensifying price competition for such 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 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 earthquakes, tsunamis or other natural disasters;
- 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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Inspire the Next