

Outline of the 2018 Mid-term Management Plan

Under the 2018 Mid-term Management Plan, Hitachi will accelerate collaborative creation with customers and partners through the advanced Social Innovation Business, with a focus on the trend toward digitalization that is significantly changing society and industry. Leveraging three strengths—operational technology, IT, and products/systems—we deliver innovations to society and customers.

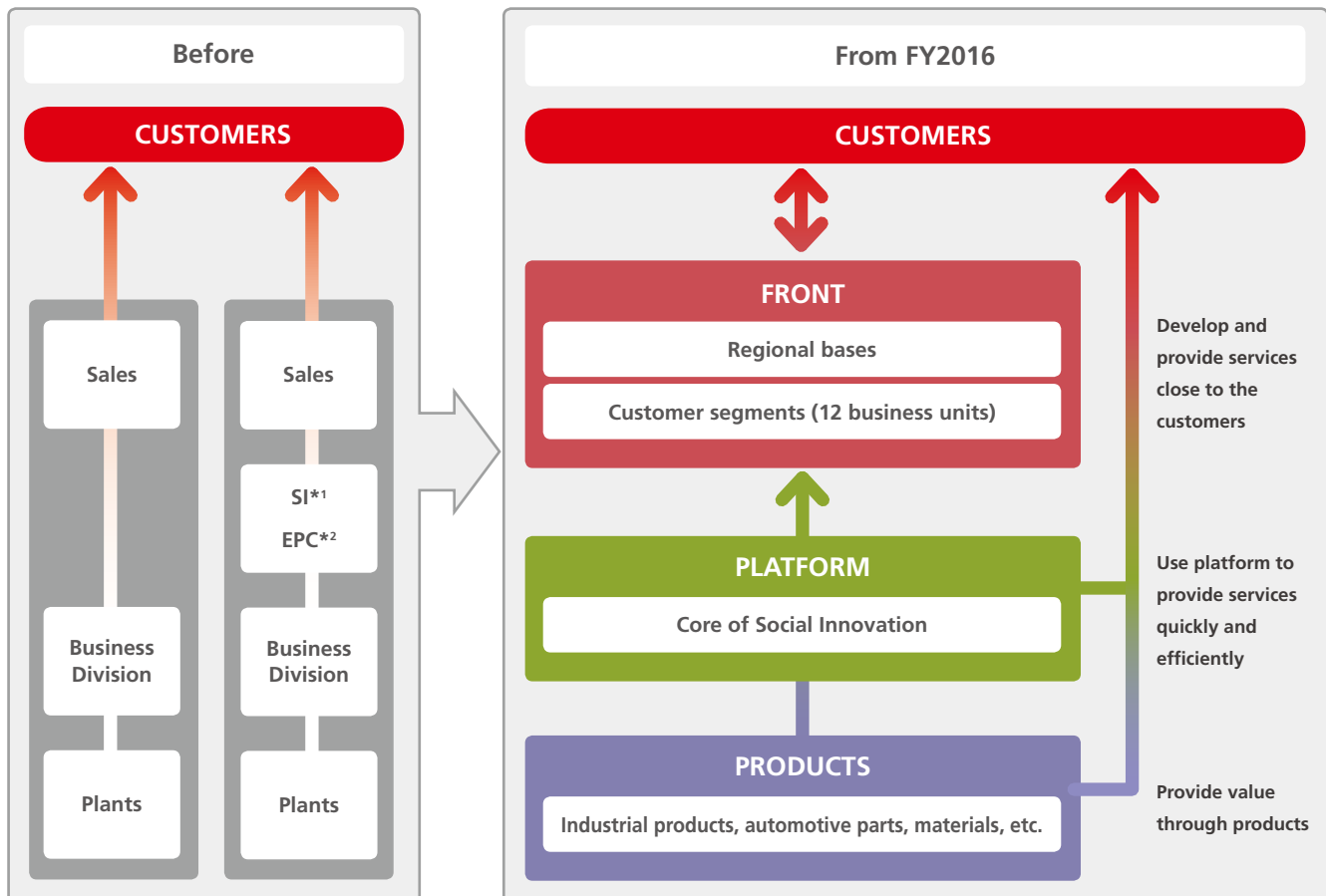
Hitachi in 2018

An Innovation Partner for the IoT Era



Accelerating the Social Innovation Business

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



*1 SI: System Integration
*2 EPC: Engineering, Procurement and Construction

Strengthening the Front and the R&D That Supports It

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

Increase front workforce by 20,000

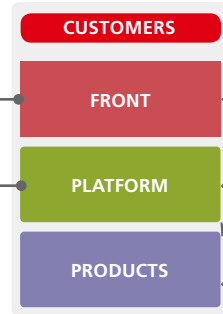
110,000 (FY2015) ▶ 130,000 (FY2018)

Including an increase of 2,000 in platform staff
(component ratio: 34% → 37%)

Japan: **+3,000**
Overseas: **+17,000** Internal shift & new recruits

* Number of sales, SE, consultants and platform developers

- Expand overseas hiring
- Roll out the Social Innovation Business, targeting the customers of acquired overseas companies
- Foster workforce through special training programs
→ 19,000 employees in 3 years (started March 2016)

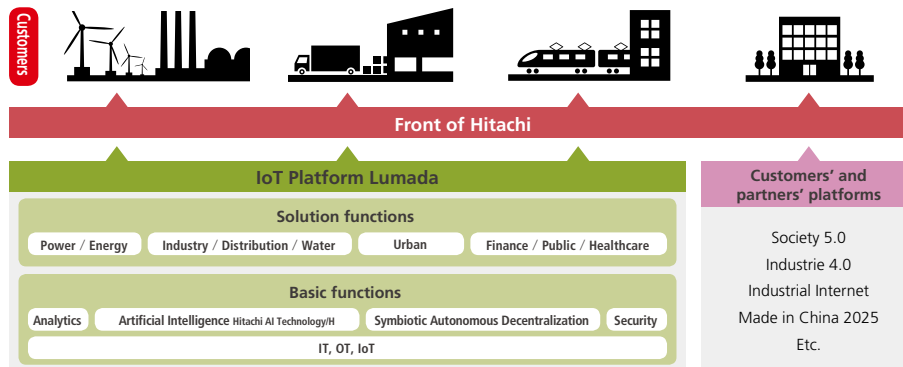


R&D structure

- **Global Center for Social Innovation**
Developing services in keeping with the needs of customers in each region
North America: 100 Europe: 70 China: 115 Asia: 65 Japan: 200 (Total: 550 people)
- **Center for Technology Innovation**
Establishing global No.1 technologies (Japan: 2,050 people)
- **Center for Exploratory Research**
Resolving future social issues (Japan: 100 people)

Core of Social Innovation IoT Platform "Lumada"

Means for customers to enjoy digitalized innovation quickly and easily



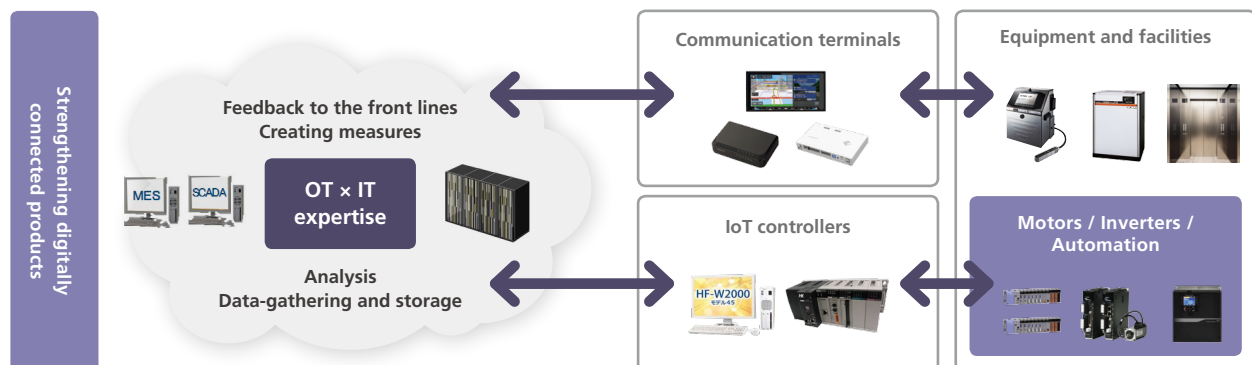
Characteristics of Lumada

Lumada = illuminate data

- 1 Single Platform, Multiple Solutions**
Realize solutions in various business fields "Cross Domain Business Ecosystem"
- 2 Open**
Open architecture available for partners
- 3 Adaptable**
Easily connected to customers' assets
Graduated dilatation is possible (Symbiotic Autonomous Decentralization)
- 4 Verified and Secure**
Reliable technologies based on experiences in Social Innovation

Strengthening Products

Expanding digitalized products that support innovation / Focusing on investing in globally competitive products



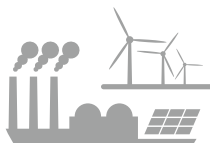
Outline of the 2018 Mid-term Management Plan

Moving Forward to 2018 (Key Initiatives)

- (1) Strengthening focused areas for expansion of the Social Innovation Business
- (2) Front develops and provides services to drive expansion of revenues and profits

FRONT

Revenues: FY2015 3,596.9 billion yen ▶ FY2018 4,000.0 billion yen
Adjusted operating income ratio: FY2015 5.6% ▶ FY2018 8.0%



Power / Energy

– Transition to distributed power supply utilizing IT

- Microgrid, regional energy management
- Renewable energy

Investment focus

- Strengthening grid and engineering



Industry / Distribution / Water

– Use “Lumada” IoT platform to optimize value chains for industry and distribution

Investment focus

- Strengthening engineering
- Predictive maintenance
- Optimized factory



Urban

– Improvement of quality of life in communities

– From rail as a service to outcome delivery

Investment focus

- Development of urban solutions
- Expansion of the rail business area



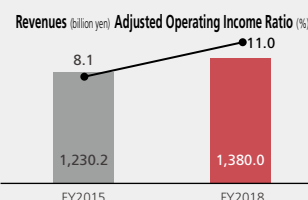
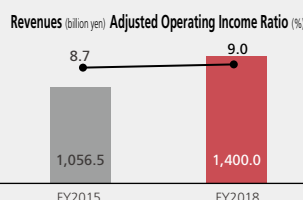
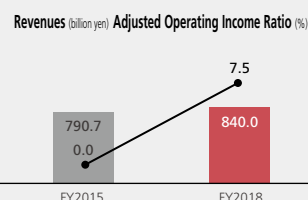
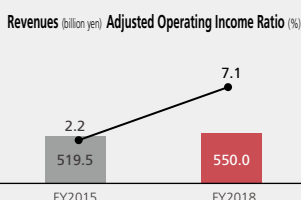
Finance / Public / Healthcare

– FinTech / My Number

– Healthcare service (platform)

Investment focus

- Strengthening healthcare informatics



PLATFORM

Investment focus: Strengthening Lumada
Revenues: FY2015 278.6 billion yen ▶ FY2018 330.0 billion yen
Adjusted operating income ratio: FY2015 8.4% ▶ FY2018 11.0%

PRODUCTS

Investment focus: Expanding industrial products and materials businesses
Revenues: FY2015 7,389.3 billion yen ▶ FY2018 6,820.0 billion yen*
Adjusted operating income ratio: FY2015 5.5% ▶ FY2018 7.0%

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

(3) Accelerating the global rollout of the Social Innovation Business

Europe

- Railway
- Nuclear power
- Energy

FY2015 0.95 trillion yen → FY2018 1.15 trillion yen

CAGR 6.5% (10.2%)

China

- Elevators / Escalators
- Healthcare
- Industry / Distribution

FY2015 1.05 trillion yen → FY2018 1.10 trillion yen

CAGR 1.4% (3.1%)

Asia (except for China)

- Finance
- Industrial equipment

FY2015 1.05 trillion yen → FY2018 1.22 trillion yen

CAGR 4.9% (6.4%)

North America

- Energy
- Healthcare
- Automotive parts, casting

FY2015 1.28 trillion yen → FY2018 1.46 trillion yen

CAGR 4.5% (5.6%)

Overseas revenue ratio

FY2015 48% ▶▶▶ FY2018 Over 55%

*1 CAGRs (Compound annual growth rates) in brackets are based on figures for FY2015 excluding revenues of Hitachi Transport System, Ltd. and Hitachi Capital Corporation

*2 Regions except for those that are listed above (including Japan): FY2015 5.69 trillion yen → FY2018 5.07 trillion yen

Strengthening the Management Base

Management Acceleration for Growth and Profits

Reform Hitachi's management base

Speed up management	Rapid decision making and quick execution Reduce the layers of management
Expand global business	Expand global partners and customers
Increase business profitability	Judgment on low-profitability businesses Evolution of Hitachi Smart Transformation
Invest in growth businesses	Investments totaling 1 trillion yen over three years FY2013–FY2015: 510.9 billion yen

Strengthening Capability to Generate Cash

Evolution of Hitachi Smart Transformation

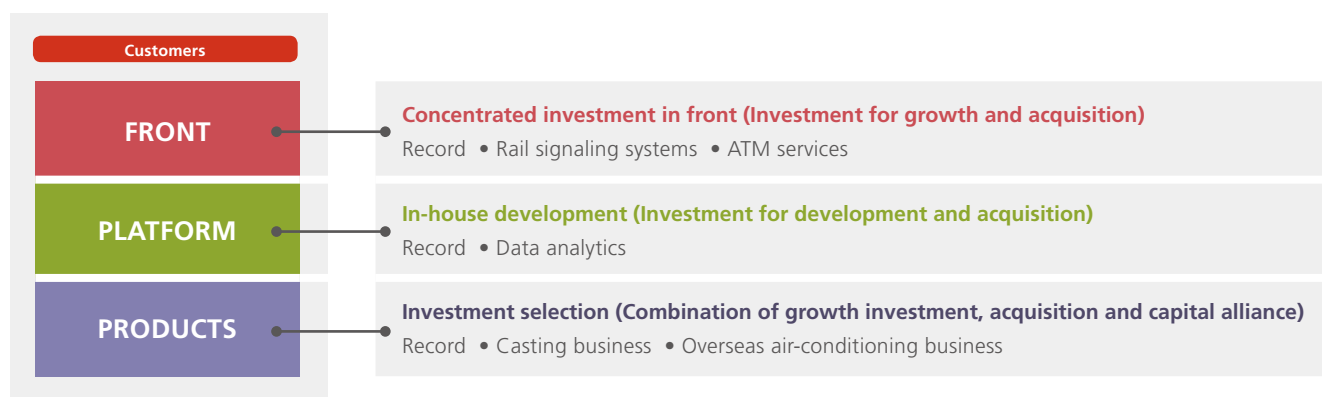
Re-examine cost structures	Design target costs and reduce procurement costs/ fixed costs Redefine cost-related KPIs on a revenue basis
Increase efficiency of operating capital	Use IT to reduce production lead times and decrease inventory
Increase efficiency of investments and assets	Share production facilities among plants

↑ ↑ ↑

Utilization of IoT Platform "Lumada" (AI, analytics and IoT)

Investment Policy

**Speedily increase profit through investment in products business
Concentrate investment in front to accelerate the Social Innovation Business**



2018 Mid-term Management Plan Targets

	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: 110 yen/dollar, 120 yen/euro

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

*1 Manufacturing, Services and Others

*2 ROA (Return on assets) = Net income / Total assets (Average between the end of the current fiscal year and the end of previous fiscal year) x 100