

Progress of the 2018 Mid-term Management Plan

In fiscal 2017, Hitachi posted record earnings* in terms of adjusted operating income, EBIT, and net income attributable to Hitachi, Ltd. stockholders.

In fiscal 2018, through global expansion and other initiatives, Hitachi is targeting adjusted operating income and EBIT ratios of over 8%, respectively, and net income attributable to Hitachi, Ltd. stockholders of more than ¥400 billion.

* Since introduction of consolidated accounting in fiscal year ended March 1987

Overview of 2018 Mid-term Management Plan Initiatives

Designating fiscal 2017, the second year of the 2018 Mid-term Management Plan, as the year to “change gears toward growth,” Hitachi targeted global expansion through M&A while strengthening the Lumada business by increasing collaborative creation with customers. Business restructuring also continued through efforts to improve the earnings of unprofitable operations, including downsizing and withdrawal. In addition, over the two-year period ended March 31, 2018, Hitachi reorganized businesses generating revenues of around ¥1.5 trillion, focusing mainly on publicly listed subsidiaries. These efforts led to significant year-on-year improvements in earnings in fiscal 2017, of ¥127.3 billion for adjusted operating income, ¥169.0 billion for EBIT, and ¥131.7 billion for net income attributable to Hitachi, Ltd. stockholders. Other profitability and cash generation metrics improved, also, with the operating cash-flow margin rising to 7.8% and ROA increasing to 5.0%.

Fiscal 2018 is the final year of the plan. Positioned as the year of achieving the plan targets and becoming a globally integrated enterprise, it features measures to achieve specific targets and create further growth.



• Continued business restructuring

① Structural reforms

- Improvement (YoY) of ¥38.0 billion in adjusted operating income via downsizing and withdrawal from unprofitable businesses
- Withdrawal from large-scale industrial EPC* business
- Gains from restructuring in FY2017: ¥15.0 billion (YoY)

② Selection and concentration of businesses

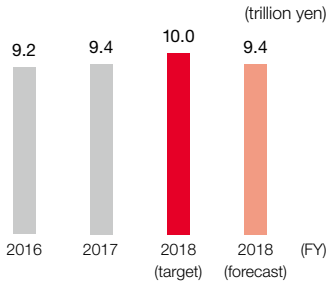
- Reorganization of businesses generating revenues of approx. ¥1.5 trillion over FY2016-2017

FY2016	FY2017
Logistics service (Hitachi Transport System)	Semiconductor manufacturing equipment, etc. (Hitachi Kokusai Electric)
Financial service (Hitachi Capital)	Passenger transportation service (Hitachi Dentetsu)
Electric tools (Hitachi Koki (now Koki Holdings Co., Ltd.))	Network devices (ALAXALA Networks)
Others (LCD Panel manufacturing equipment, etc.)	Forged steel roll business

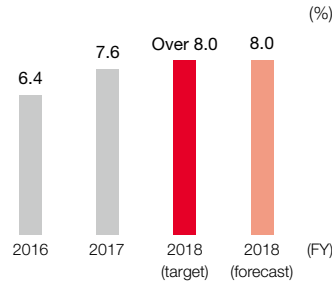
* EPC: Engineering, Procurement and Construction

Making Steady Progress

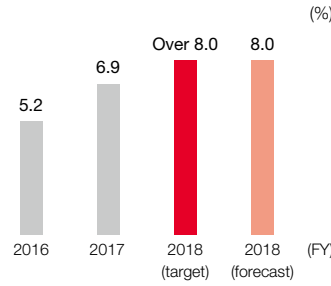
Revenues*1



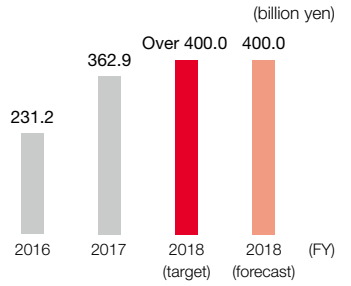
Adjusted Operating Income Ratio



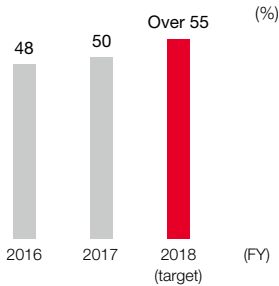
EBIT Ratio



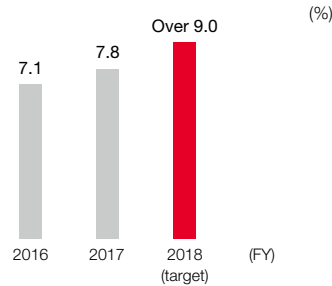
Net Income Attributable to Hitachi, Ltd. Stockholders



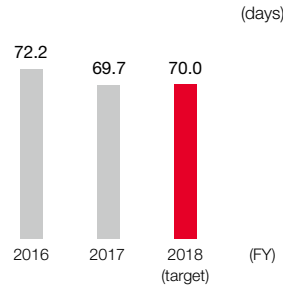
Global Business Expansion (Overseas Revenue Ratio)



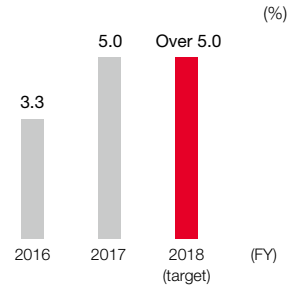
Stronger Cash-generating (Operating Cash-Flow Margin)*2



CCC (Cash Conversion Cycle)



Asset Profitability Improvement (ROA)*2 *3



	2016	2017	2018 (forecast)	(FY)
Average FX Rate				
	JPY/USD	108	111	105
	JPY/EUR	119	130	130

*1 Rounded to the nearest hundred billion.

*2 Figures for Manufacturing, Services and Others.

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

Global Business Expansion

Overall global revenues in FY2017 YoY: **113%**

YoY: 113%
 FY2016 Revenues* 0.85 trillion yen
 FY2017 Revenues 0.96 trillion yen

YoY: 114%
 FY2016 Revenues* 0.91 trillion yen
 FY2017 Revenues 1.04 trillion yen

YoY: 108%
 FY2016 Revenues* 1.09 trillion yen
 FY2017 Revenues 1.18 trillion yen



- Railway
- Construction machinery
- High functional materials & components



- Elevators/Escalators
- Automotive products
- Construction machinery
- High functional materials & components



- Railway
- Industrial equipment/solutions
- IT products
- Construction machinery
- High functional materials & components



YoY: 114%
 FY2016 Revenues* 0.91 trillion yen
 FY2017 Revenues 1.04 trillion yen

- Elevators/Escalators
- Automotive products
- Construction machinery

Regions except for those listed above (including Japan):

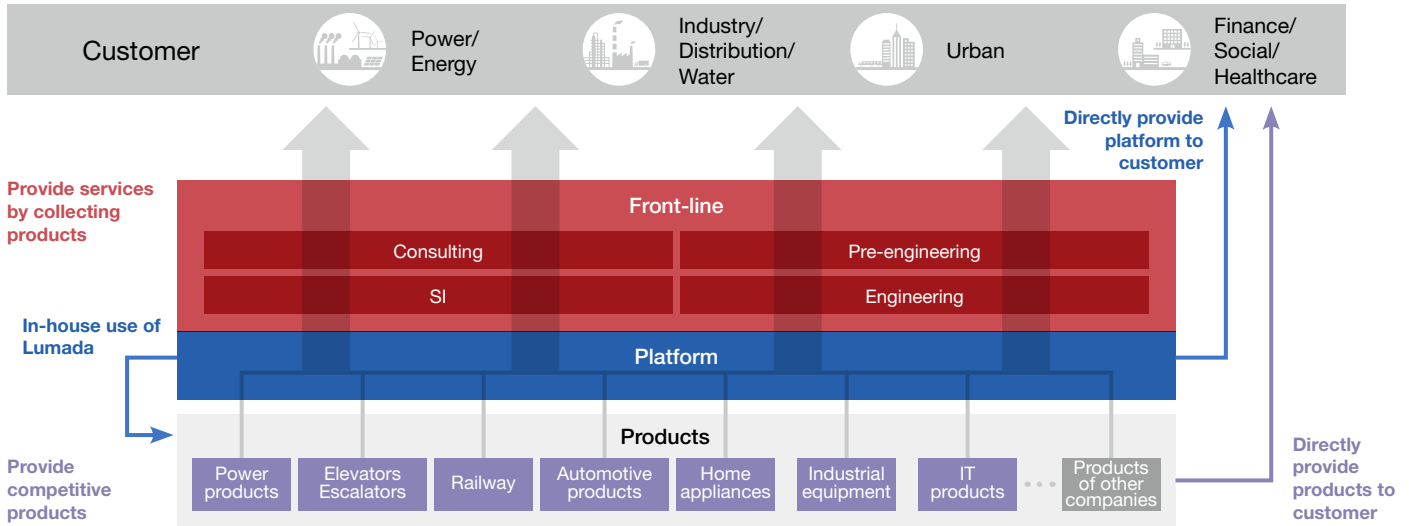
FY2016 Revenues* 5.04 trillion yen
 FY2017 Revenues 5.15 trillion yen

* Figures reflecting adjustments based on currently existing businesses. (Revenues of Hitachi Transport System, Hitachi Capital, and Hitachi Koki were excluded from the actual result in FY2016)

Toward Future Global Growth Using Digital Technology

The targeted model for Hitachi's future growth involves Front and Platform business divisions selecting products and supplying services in line with the changing needs of customers.

Product business divisions will focus on supplying globally competitive products.



Policies for Growth

Investments in Focused Business Fields

Our investments across all global regions (North America, Asia, China, and Europe) are targeted towards four business fields with the aim of expanding global operations, expanding digital service businesses, and responding to a sustainable society.

Investment Direction

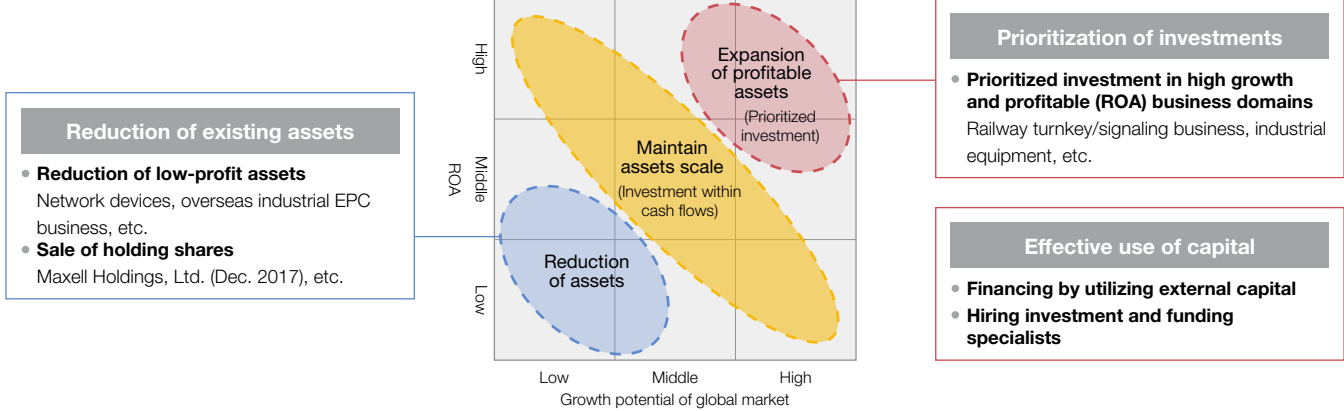
- **Expand global business:** Enhancement of regional sales channel, etc.
- **Expand digital service business:** Financial payment system, e-Government, etc.
- **Respond to sustainable society:** Carbon free (e.g. renewable energy, energy management, electric vehicles), etc.

	Power/ Energy	Industry/ Distribution/ Water	Urban	Finance/ Social/ Healthcare
Investment fields	<ul style="list-style-type: none"> • Renewable energy • Distributed power solution 	<ul style="list-style-type: none"> • Manufacturing solutions • Industrial equipment (North America/Asia) 	<p>Railway</p> <ul style="list-style-type: none"> • Turnkey/signaling system <p>Elevators/Escalators</p> <ul style="list-style-type: none"> • New installations/maintenance (China/other countries & regions of Asia) <p>Automotive</p> <ul style="list-style-type: none"> • Electric power trains, autonomous driving products • Mobility as a Service 	<p>Japan and global</p> <ul style="list-style-type: none"> • Financial payment system (Asia) • e-Government (Asia)

Improvement of Asset Profitability

Led by the Investment Strategy Division established in April 2017, Hitachi is working to generate higher profits from assets by prioritizing investment in markets with growth potential and businesses that can generate higher ROA, and by downsizing or substituting existing assets through reduction of exposure to low-margin assets or the sale of equity holdings. In addition, Hitachi is working to make more effective use of capital, including financing efforts that utilize external capital.

Direction of Assets Holdings



Growing the Social Innovation Business Using Digital Technology

Hitachi's aim is to realize better quality of lives for people through the global supply of advanced social infrastructure using digital technology. In fiscal 2017, we laid the foundation to expand businesses that utilize digital technologies such as Lumada. Specific measures included construction of a global support set-up, front-line HR foundation, and the development of Lumada software to enable rapid, simple systems deployment. In fiscal 2018, we plan to accelerate the global supply of solutions through Hitachi Global Digital Holdings Corporation, which was established in April 2018.

➤ Please see "Expanding the Supply of Lumada Digital Solutions" (p. 18) for more details.

Human Resources for Growth

Hitachi is investing to strengthen human resources to realize growth through digital technology on a global scale. These efforts are underpinned by the appointment of three talented global executives to head up the relevant business units and group companies, along with our Chief Commercial Officers to provide specialized management expertise in North America, Europe, and Asia. In addition, we have recruited around 30 top-level managers from global firms in the IoT sector to manage operations in each field. We are also looking to strengthen Hitachi's capacity to create innovations through the recruitment of a diverse array of talent. As of April 1, 2018, the ratios of women and non-Japanese in executive and corporate officers within Hitachi, Ltd. were 2.5% and 6.4%, respectively. By fiscal 2020, we aim to increase each of these figures to 10%.

➤ Please see "Message from the Chief Human Resources Officer" (p. 31) for more details.

R&D and New Business Creation

As part of originating world-leading products and services, Hitachi is focused on the development of innovative technologies and the creation of new businesses. Specific areas of focus where we are increasing our investments in technical development include blockchain, autonomous driving, smart manufacturing, AI, and robotics. In March 2018, as part of a program aimed at creating disruptive technologies based on an open innovation approach, we invested in funds managed by the venture capital firm Geodesic Capital.

➤ Please see "Message from the Chief Technology Officer" (p. 35) for more details.

Accelerate Management Speed, Improve Operational Efficiency

As part of measures aimed further at improving profitability by strengthening the business foundation and reforming business processes, we are promoting measures for (1) increased efficiency of indirect operations, (2) reduced number of subsidiaries, and (3) digital transformation through increased visibility of management data. Through such measures, we aim to reduce costs by more than ¥100 billion by fiscal 2021.

Management issues	Improvement themes	Reform projects		
<div style="border: 1px solid green; padding: 5px; display: inline-block;">Increase speed</div> <div style="border: 1px solid red; padding: 5px; display: inline-block;">Increase operational efficiency</div>	<ul style="list-style-type: none"> • Simplify organizational structures • Reorganize system and rules • Reorganize work processes • Enhancement of compliance • Centralize management information 	Increased efficiency of indirect operations	Reduced number of subsidiaries	Increased visibility of management data
		●	●	●
		●		●
		●	●	
				●