
Power and Energy Business Strategy

Hitachi IR Day 2018

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Power and Energy Business Strategy

Contents

- 1. Power and Energy Business Updates**
2. Business Strategy of Power Business Unit
3. Summary
4. Status of Nuclear Energy Business
5. Business Performance Data and Glossary

1 **Earning power** of the power and energy business

2 **Changing** markets and business opportunities in them

3 Three **competitive** businesses on which to focus management resources

4 High value-added service business that can be a **revenue base**

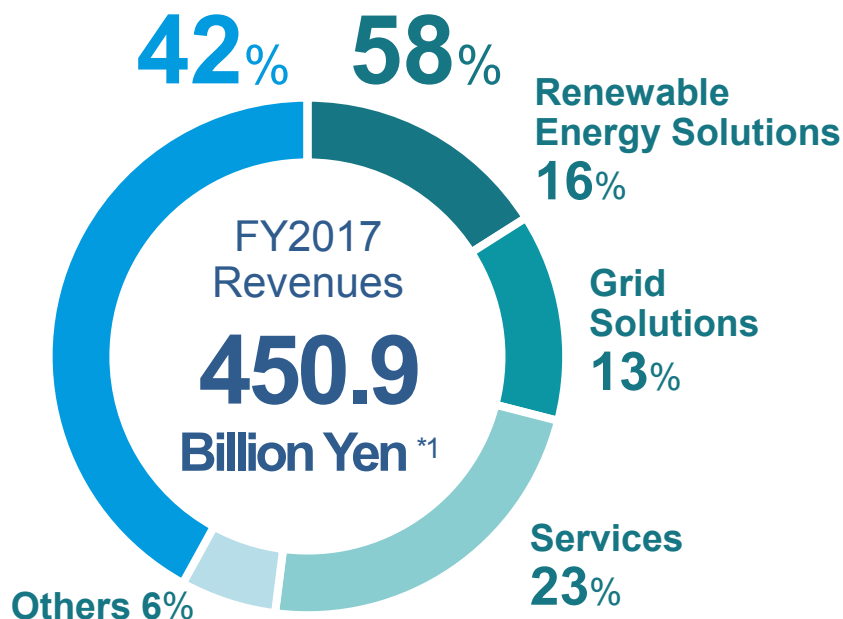
5 Status of the **nuclear energy** business

1-1. Progress of Mid-term Management Plan (1) Business Overview

Provide solutions based on collaborative creation to all customers in the energy value chain

Nuclear Energy Business Unit

Power Business Unit



*1 Figures reflect the effect of reorganization implemented on April 1, 2018

Social and Environmental Values

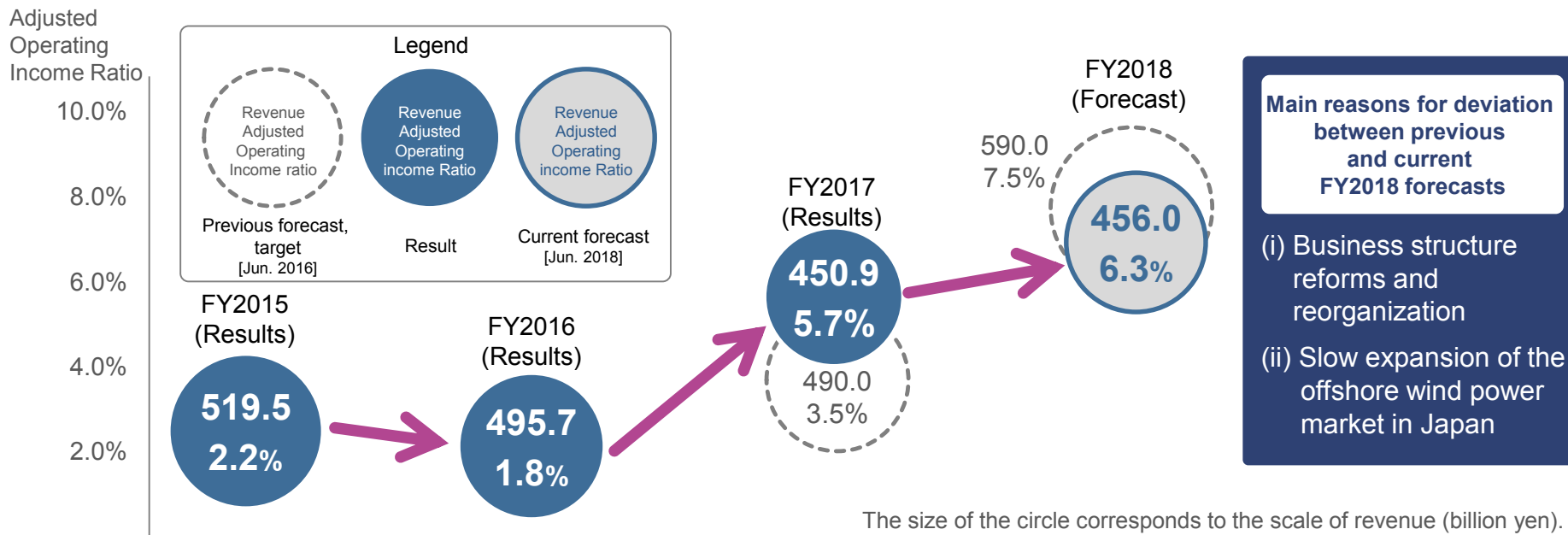
Contribute to industrial development and the realization of a sustainable society by providing energy systems that do not produce CO₂ emissions during power generation

Corresponding SDGs



1-1. Progress of Mid-term Management Plan (2) Review of FY2017

Profitability of Power and Energy Business is improving steadily



FY2017

Although high profitability measures was given priority and revenue fell year over year, the adjusted operating income ratio rose 3.9 points year over year due to business structure reforms

FY2018

Adjusted operating income ratio is expected to improve 0.6 points year over year, reflecting continued prioritization of higher profits

1-1. Progress of Mid-term Management Plan (3)

Structure reforms for revitalization were completed, putting business on growth track

Power and Energy Business

- ✔ Implement business structure reforms
- Strengthen solutions business
- Further strengthen cost competitiveness

Power Business Unit

Renewable Energy Solutions Business

- ✔ Maintain largest share of wind power market in Japan
- ✔ Enter overseas offshore wind power market
- Expand top line (revenue)

Grid Solutions Business

- ✔ Complete reconstruction of transmission and distribution systems business and move into profitability
- ✔ Expand services business
- Expand orders received for grid connections

Nuclear Energy Business Unit

Nuclear Energy Business

- ✔ Complete GDA as planned in the UK
- ✔ Implement initiatives for resumption of operations of BWRs in Japan
- Continue negotiations with UK government

Services Business

- ✔ Expand high added value services
 - Profit share-type
 - Prognostic and predictive diagnosis
- Expand collaborative creation with customers
- Expand comprehensive services by strengthening maintenance platform

1-1. Progress of Mid-term Management Plan (4)

Major projects progressed steadily and orders for large projects were also received

Progress of Projects



Phase Shifting Transformer in Japan
(August 2017)



Completion of Ichigo Showa Village Ogose ECO Power Plant
(October 2017)



Ceremony to pray for safety of construction of A-wind Katagami Wind Farm
(October 2017)



Completion of generic design assessment of UK ABWR
(December 2017)

Orders Received for Large Projects

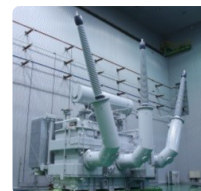


Order received for 21 wind turbines for Taiwan Power Company's Changhua Offshore Wind Farm Project
(February 2018)



Image of 9FA type gas turbine

Order received for upgrade gas turbines with AGP from Ohgishima Power Co., Ltd.
(February 2018)



Transformers from Manila Electric Company (Meralco) in the Philippines (market development)
(September 2017)



Order received for predictive diagnosis services for air conditioning and refrigeration products
(March 2018)

1-1. Progress of Mid-term Management Plan (5)

Both revenues and adjusted operating income are expected to exceed year-ago levels

Revenue

FY2017
450.9
billion yen



FY2018
456.0
billion yen

Adjusted Operating Income

FY2017
25.6
billion yen



FY2018
28.9
billion yen

Adjusted Operating Income Ratio

FY2017
5.7%



FY2018
6.3%

Orders Received

FY2017
495.9
billion yen



FY2018
443.5
billion yen

Order Backlog

FY2017
683.8
billion yen



FY2018
671.3
billion yen

Revenue

Nuclear Energy Business revenue will decrease slightly, while Power Business revenue will remain firm

Adjusted Operating Income

Various structural reforms, cost-cutting activities and other initiatives will boost income

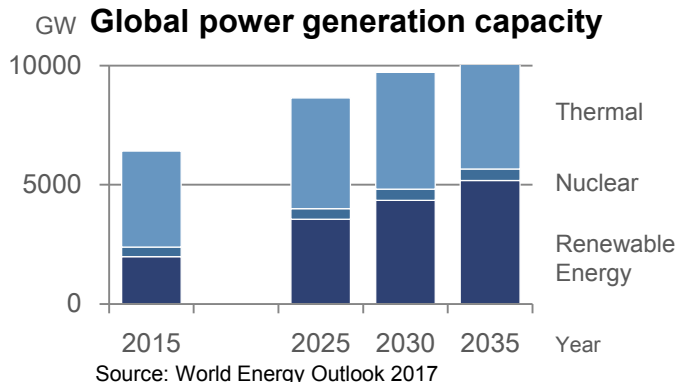
Orders Received and Order Backlog

Orders will be affected by compliance with new nuclear regulatory requirements and decrease in orders related to services in thermal power business

1-2. Market Environment (1)

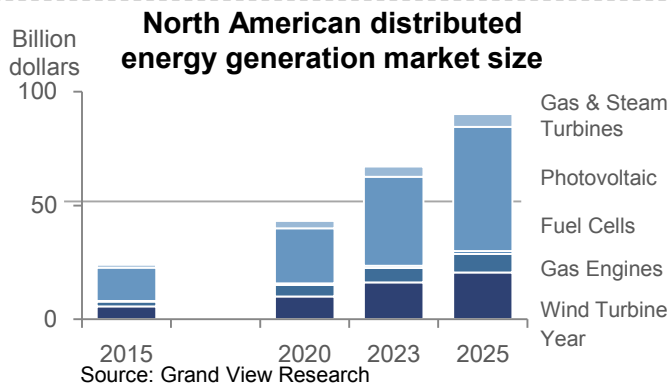
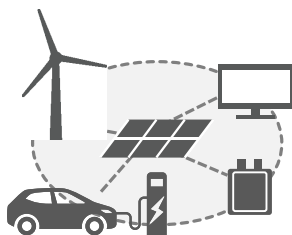
Transformation of the Power and Energy Market by the 3Ds

De-carbonization



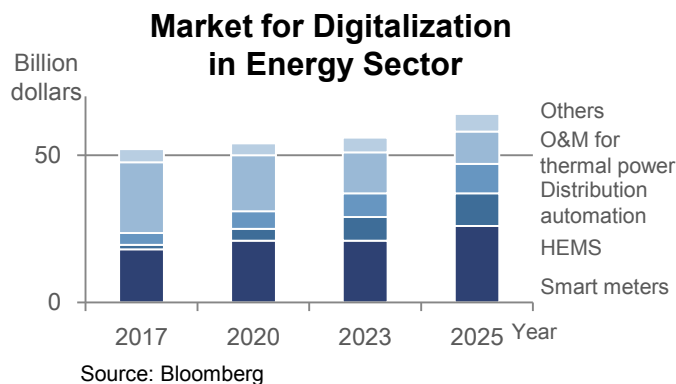
- Low-carbon/recycling/harmony with nature are essential for the realization of a sustainable society
- Renewables will become leading energy sources
- Nuclear power will be maintained as an base load energy source

Decentralization



- Increase introduction of wind turbine and photovoltaic
- With the decentralization of energy sources, investment to increase the resilience and stability of transmission and distribution systems will expand
- The need for regional solutions will increase

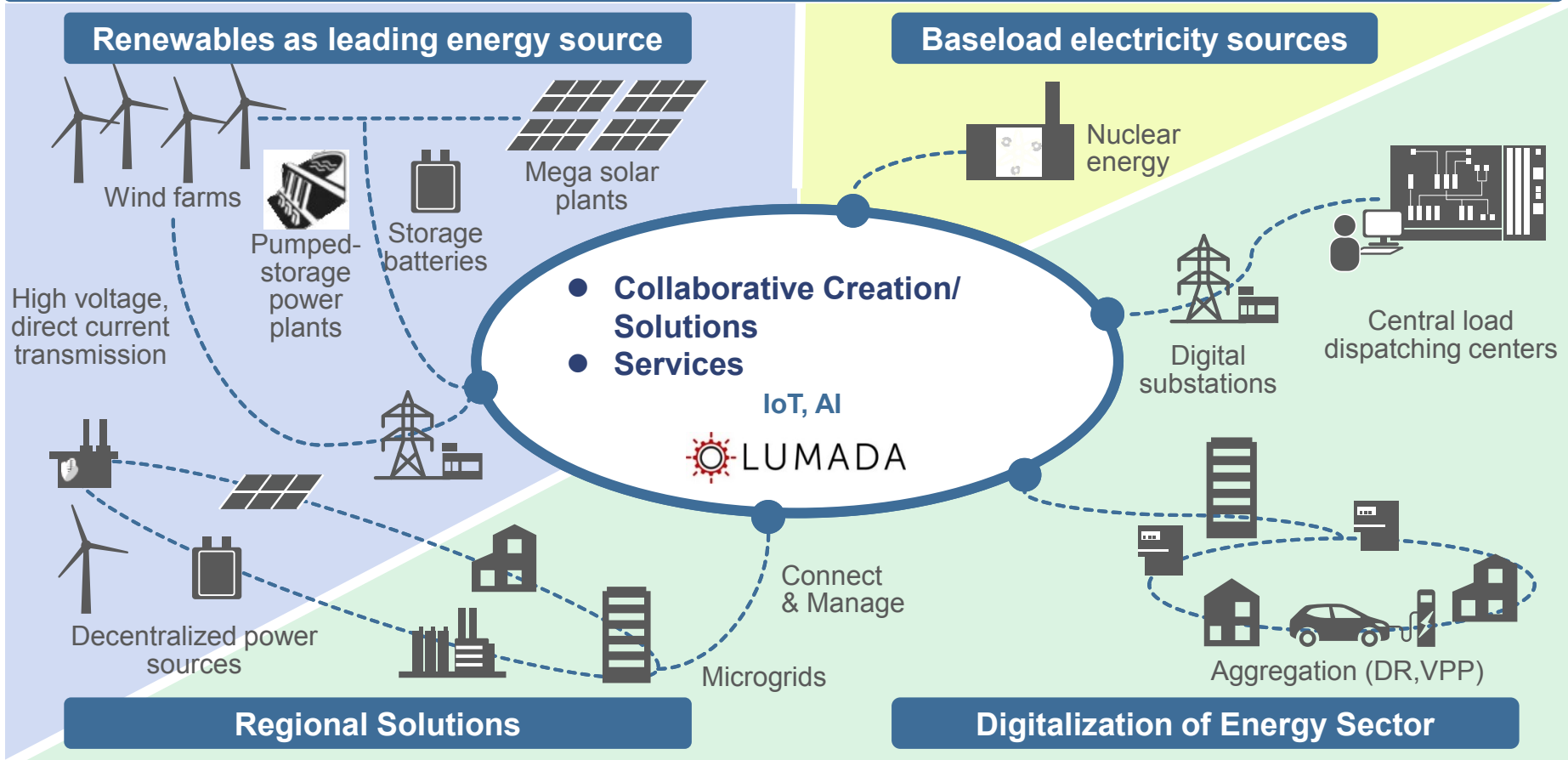
Digitalization



- Investment in new markets and investment to improve profitability will increase
- Players from other sectors will enter the energy sector in earnest and power companies will develop a range of services

Provide high added value solutions using digital technologies through collaborative creation

Power systems for society that will be realized under Society 5.0 strategy



1-3. Aspirations (1) Growth Strategy

Vision

Aim to become a global major player in terms of revenue and profits by actively investing in sectors where Hitachi has an advantage

Business Strategies

Provide world-leading products, services and solutions

- Provide sophisticated solutions through the utilization of digital technologies and collaborative creation with customers
- Achieve further growth through M&A and develop new markets
- Contribute to the development of society through the generation of sustainable energy
- Fulfil responsibilities as a provider of nuclear power generation systems

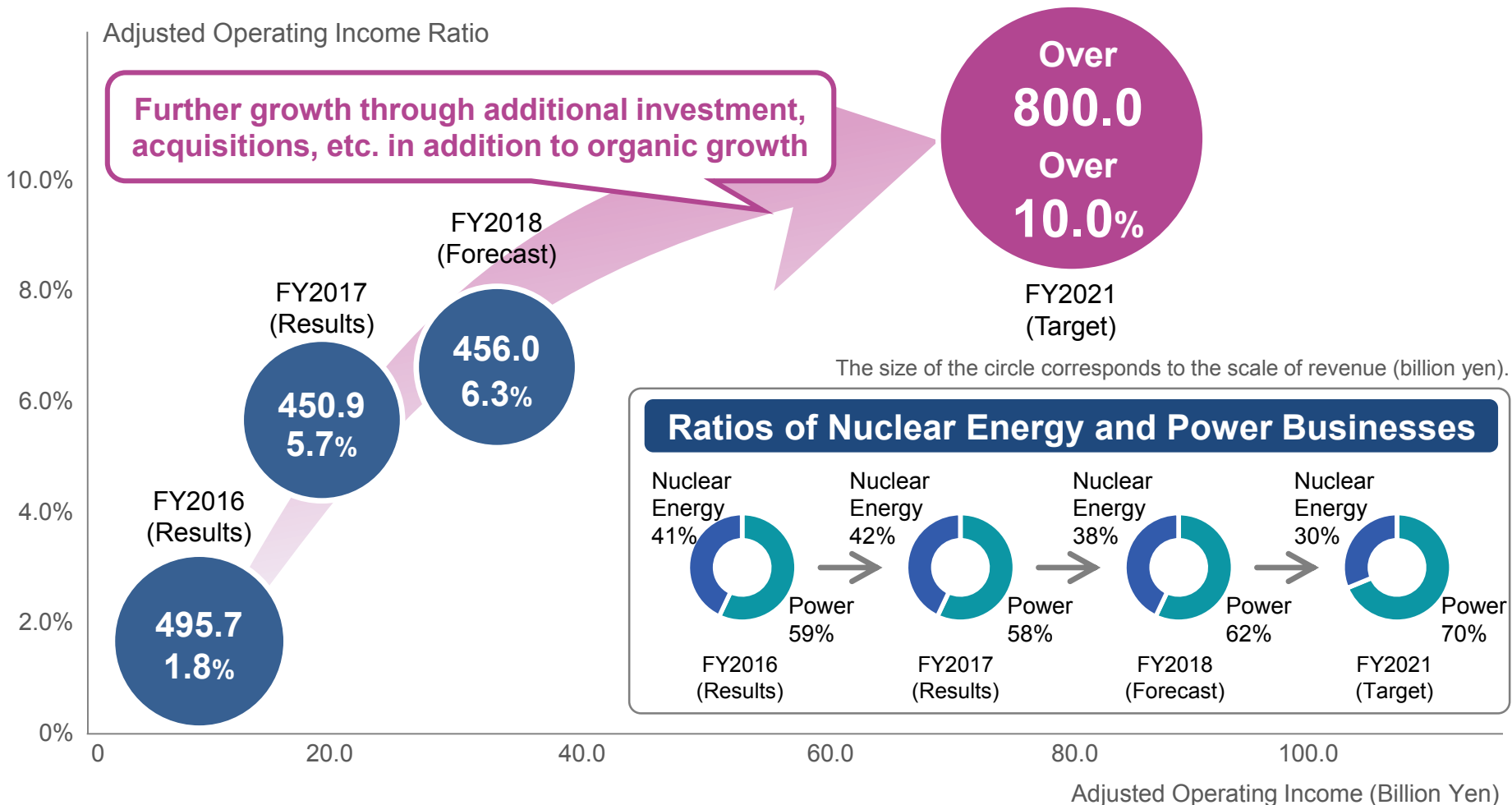
Establish a position as a high-profit business entity which leads global market

- Focus management resources on non-carbon energy solutions business where high returns can be expected
- Continue to implement management and business structure reforms



1-3. Aspirations (2) Target Business Scale and Profits (FY2021 Targets)

Become a business that is expected to contribute to Group growth both in terms of revenue and adjusted operating income



Figures for FY2017 (results) and FY2018 (forecast) reflect the effect of reorganization implemented on April 1, 2018.

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Contents

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2-1. Priority Areas for Achievement of Targets

Focus management resources on three businesses where high returns can be expected

Renewable Energy Solutions Business



FY	2018	2021
Revenues	80.0 billion yen	over 400.0 billion yen

- Enter global market and expand business
- Maintain largest share of wind power market in Japan and generate higher profits
- Expand solutions services business
- Promote decentralized power sources business

Grid Solutions Business



FY	2018	2021
Revenues	75.0 billion yen	over 120.0 billion yen

- Expand total solutions business from bulk power grid to grid edge
- Increase rate of maintenance coverage of installed equipment
- Develop more sophisticated, high added value services

High-value Added Services Business



FY	2018	2021
Revenues	120.0 billion yen	over 160.0 billion yen

- Expand business based on collaborative creation through utilization of wide range of channels
- Promote business by strengthening core technologies
- Expand comprehensive services business

Figures for each business include transactions between businesses.

2-2. Steps to Becoming a High Profit Business

Implement structural reforms to focus on businesses where Hitachi has an advantage

Sale of steel roll business
Downsizing of business of selling electricity, etc.

Investment to increase scale, including M&A related to wind power business

Expansion of grid solutions and services

Promotion of collaborative creation with customers (established energy business co-creation and promotion division)

Revenue

Business selection and concentration

FY2016

FY2017

New investment for growth - Evolution into global business

FY2018

FY2019

FY2020

FY2021

Structural reform of grid business, etc.
Strengthening of services business

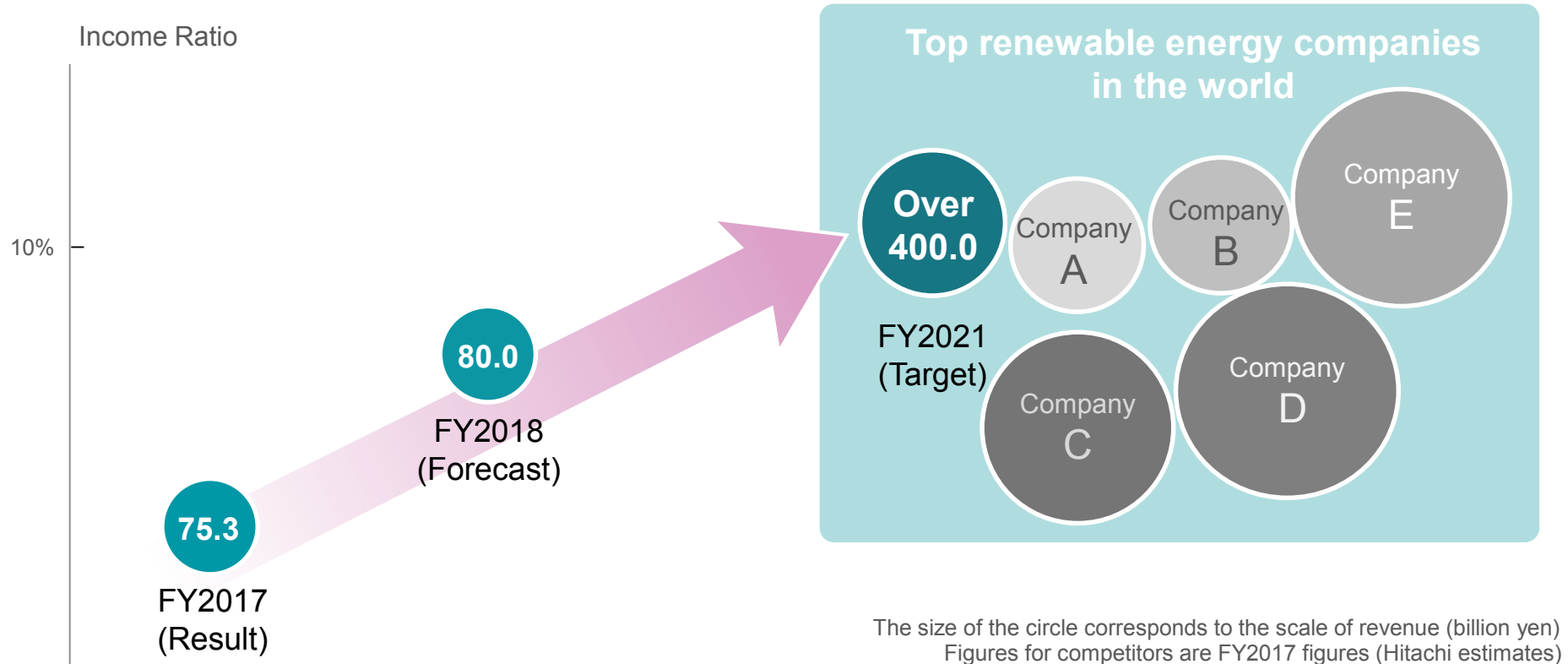
Intensive investment in high profit products and solutions
Partnering (offshore wind power, etc.)
Realization of high capacity utilization through use of digital technologies
Strengthening of prognostic and predictive diagnosis services

Adjusted Operating Income

2-3. Renewable Energy Solutions Business (1)

To become one of the top renewable energy companies in the world both in terms of revenue and profitability

Target Business Scale



Figures for FY2017 (results), FY2018 (forecast) and FY2021 (target) reflect the effect of reorganization implemented on April 1, 2018.

2-3. Renewable Energy Solutions Business (2)

Make use of downwind wind turbines to expand business and improve profitability

Enter overseas markets
Strengthen market activities to get orders



Increase of
250 billion yen

in revenue
from FY2018 to FY2021

Maintain largest share
of market in Japan
Generate higher profits

- Leverage capability to withstand typhoons to gain entry to overseas markets
- Steadily promote projects through utilization of partnering
- Compete with major global companies through use of alliances and M&A



Signing ceremony for Taiwan Power Company's Changhua Offshore Wind Farm Project

- Use wind turbine line-up and features in activities to win orders
- Promote utilization of digital technologies and VEC, and reduce LCoE through partnering



Shin-Aoyama Kogen Wind Farm
Aoyama-Kogen Wind Farm Co., Ltd.

2-3. Renewable Energy Solutions Business (3)

Improve profitability through expansion of solutions business

Expand solutions and services business

Increase of 60 billion yen
in revenue
from FY2018 to FY2021

- Expand solutions business with wind turbines at core
- Improve customer satisfaction by strengthening LTSA business
(Strengthen competitiveness by combining OT and IT)
- Enter market for services for other companies' products through third-party maintenance capability

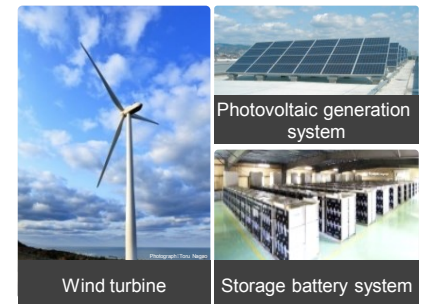


Collaborative creation with Saibugas Co., Ltd. (Ene Seed Kitakyushu Wind Power Plant)

Promote decentralized power sources solutions business

Increase of 10 billion yen
in revenue
from FY2018 to FY2021

- Expand business to wide range of customers including new power companies, general industry and local government
- Solve customer problems with regional solutions based on collaborative creation
e.g. Project for construction of compact energy network in Hioki, Kagoshima Prefecture, Japan (from August 2017)

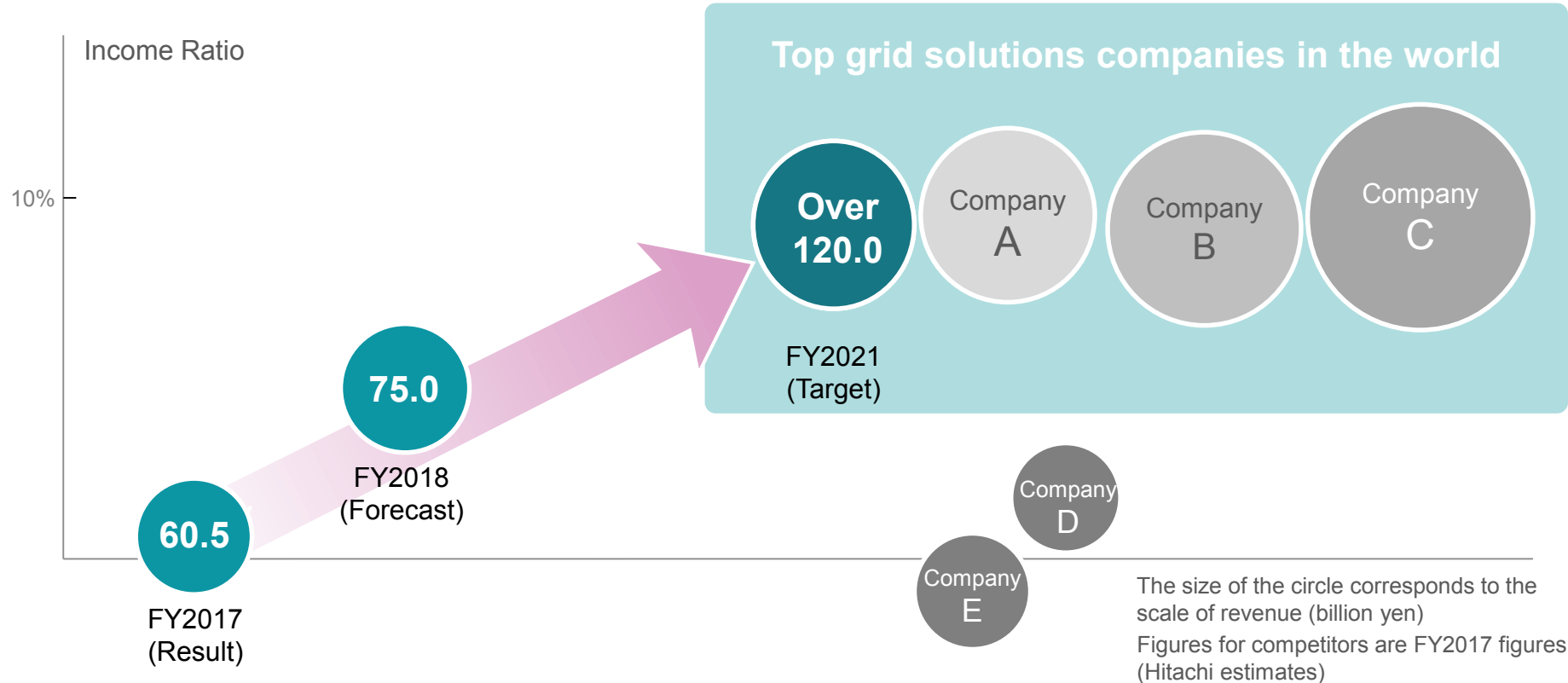


Decentralized power sources (Example of components)

2-4. Grid Solutions Business (1)

To become one of the top grid solutions companies in the world by proposing total solutions and expanding services business

Target Business Scale



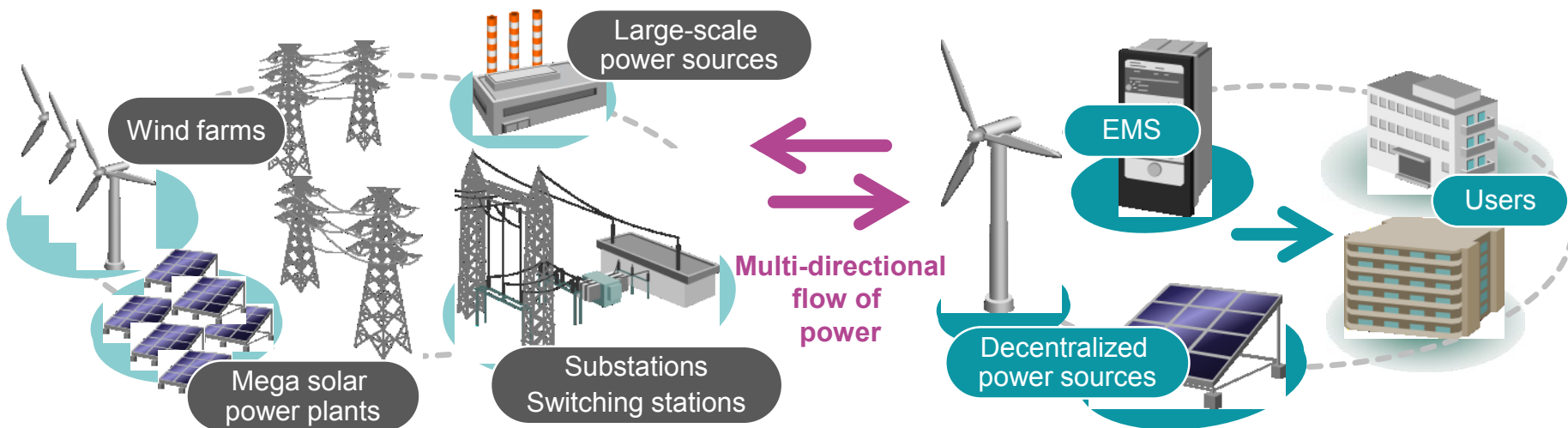
Figures for FY2017 (results), FY2018 (forecast) and FY2021 (target) reflect the effect of reorganization implemented on April 1, 2018.

2-4. Grid Solutions Business (2)

Provide solutions for achieving co-existence of decentralized systems with large-scale grids

Large-scale grids

Decentralized systems



Propose solutions using core products



Increase of
20 billion yen

In revenue
from FY2018 to FY2021

- Strengthen competitive equipment for bulk systems such as HVDC (Japan, Asia) and UHV (Asia).
- Strengthen solution proposals through utilization of IT and partnering.

2-4. Grid Solutions Business (3)

Improve profitability by expanding services business

Improve maintenance coverage ratio for existing equipment



Increase of **30 billion yen** in revenue from FY2018 to FY2021

Develop sophisticated, high added value services

- Take full advantage of opportunity to provide maintenance services for large amount of installed equipment
 - Number of installed units*1 : Around 22,000 units
 - Coverage ratio of maintenance and inspection *2 : Around 10%
- Strengthen maintenance platform in key regions (partnering with local enterprises, M&A)
- Provide OPEX-reducing services utilizing IoT and digital technologies (remote monitoring, oil leak diagnosis, digital substations, etc.)
- Promote total maintenance, and maintenance of other companies' products



GIS substation

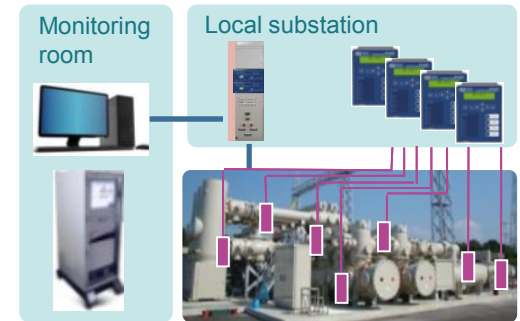


Image of GIS diagnosis system

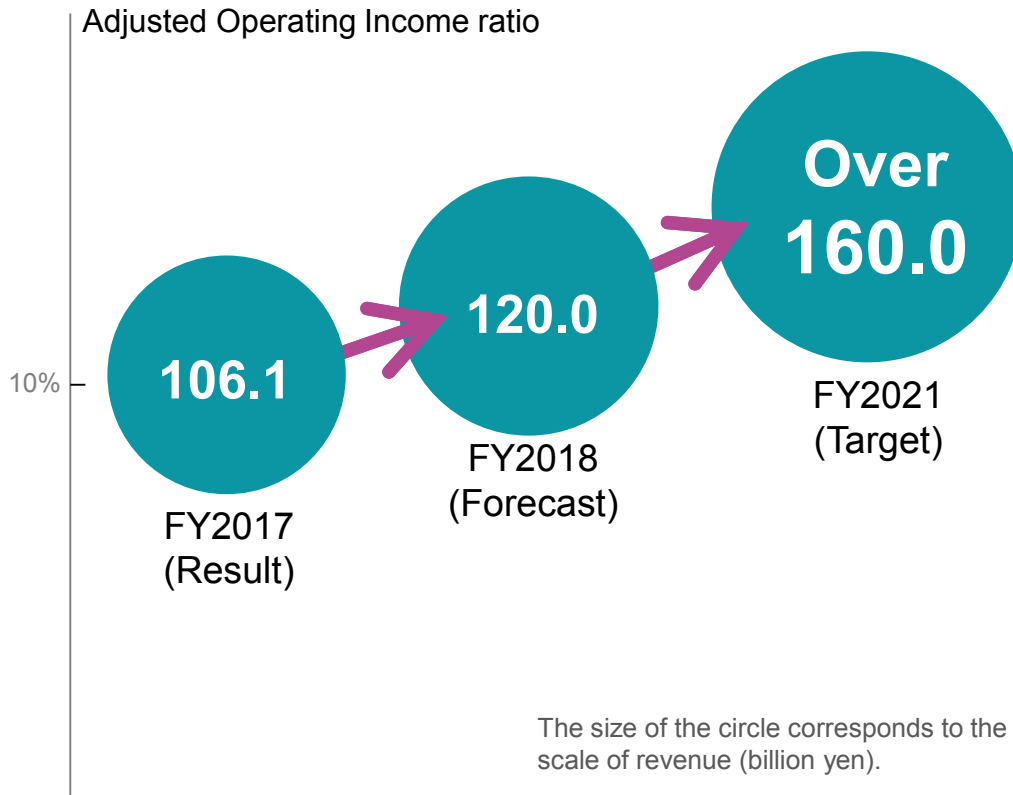
*1 Number of transformers and switchgears over 15 years old delivered by Hitachi.

*2 Ratio of installed equipment for which Hitachi carried out statutory inspection from FY2014 to FY2016

2-5. Services Business (1)

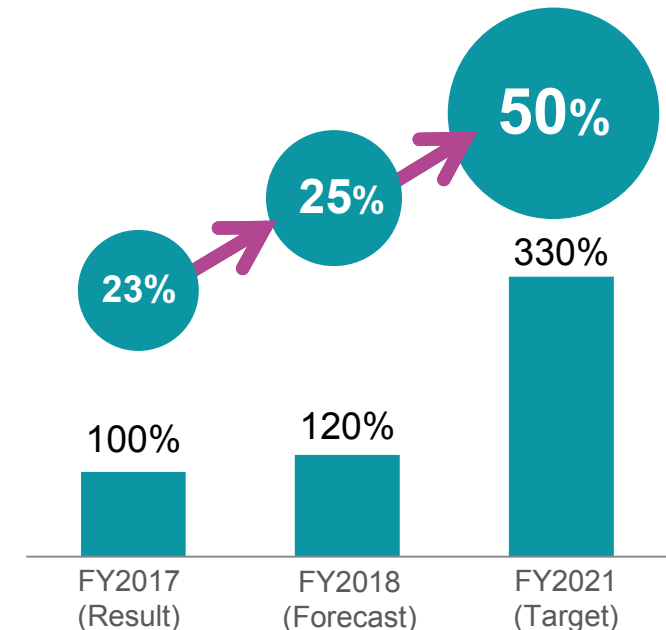
Improve profitability through growth of High-value added services

Target Business Scale



High-value Added Services Business

Share of total services revenue



Growth Plan (FY2017 = 100)

Figures for FY2017 (results), FY2018 (forecast) and FY2021 (target) reflect the effect of reorganization implemented on April 1, 2018.

2-5. Services Business (2)

Achieve growth through utilization of strong business base and core technologies

Expand business based on collaborative creation by utilizing a wide range of channels



Increase of **25 billion yen** in revenue from FY2018 to FY2021

Strengthen core technologies

- Shift focus away from maintenance services for own products in Japan and expand global services for other companies' products and profit-share-type services
- Utilize channel of around 6,000 customers established through maintenance services



Remote monitoring and support center

- Further improve customer value by adding prognostic algorithms to predictive diagnosis
- Expand scope of equipment covered by prognostic and predictive diagnosis, and enhance applied service menu



Newly developed maintenance support solution

Expand comprehensive services



Increase of **15 billion yen** in revenue from FY2018 to FY2021

- Expand BPO-type maintenance services through cooperation with Group companies
- Acquire capability to maintain products of other companies through utilization of M&A



Control system maintenance

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Contents

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- 3. Summary**
4. Status of Nuclear Energy Business
5. Business Performance Data and Glossary

3-1. FY2021 Targets

FY2021 Target

Contribute to industrial development and the realization of a sustainable society by providing energy systems that do not produce CO₂ emissions during power generation

	FY2018 (Forecast) ^{*1}	Vs FY2015 ^{*2}	FY2021 (Target) ^{*1}	Vs FY2018
Revenues	456.0 billion yen	88%	Over 800.0 billion yen	175%
Nuclear Energy BU	182.0 billion yen	97%	Over 250.0 billion yen	137%
Power BU	284.0 billion yen	105%	Over 550.0 billion yen	194%
Adjusted Operating Income (Ratio)	28.9 billion yen (6.3%)	258% +4.1pt	Over 80.0 billion yen (Over 10.0%)	277% +3.7pt

*1 Figures for FY2018 (forecast) and FY2021 (target) reflect the effect of reorganization implemented on April 1, 2018.

*2 Revenues and adjusted operating income for FY2015 include revenue of Energy Solutions BU.

Power and Energy Business Strategy

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3. Summary
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4-1. Business Strategy

Improve profitability, positioning domestic business as a core business and overseas business as a growing business

Domestic Business

Lead a nuclear industry based on reliability and technical expertise

- Promote an early restart of BWRs, response to new regulatory standards and decommissioning of Fukushima Daiichi
- Provide solutions to improve plant operational efficiency and extend plant lifetime

Overseas Business

Make steady progress with the UK's Horizon Project

- Make good progress with the project and enhance business value
- Make final investment decision, after applying project assessment in terms of economic rationality

4-2. Domestic Business

Strengthen an early restart of BWRs and Decommissioning of Fukushima Daiichi Nuclear Power Station

Strengthen an early restart of BWRs and long-term stable operation

- Make steady progress with engineering works for compliance with new regulatory requirements and license approval
- Provide customer support for early restart operations

Support improvement in plant Operational efficiency through O&M based on collaborative creation with customers

- Utilize the IoT platform to achieve integrated management
- Support customers for meeting demands of society (security etc.)

Decommissioning Business

- Support electric power companies from examination/planning stage
- Conclude cooperation agreements with experienced overseas manufacturers to utilize their experience and knowledge

Fuel cycle business

- Provide customer support for early completion of the Rokkasho Reprocessing Plant
- Expand orders received for fuel transport and storage casks

Decommissioning of Fukushima Daiichi Nuclear Power Station

- Completion of construction for two series of Purification Facility such as sub drain facility (December, 2017)
- Completion of dismantling construction for unit 1 reactor building cover (January, 2018)
- Development of advanced technology for retrieval of fuel debris



Higashihara's visit to Fukushima Nuclear Power Station

4-3. Overview of Horizon Project

● Outline of Horizon Nuclear Power Limited

Name of Company	Horizon Nuclear Power Limited
Representative	CEO Duncan Hawthorne Assumed office on May 1, 2016; previously President & CEO at Bruce Power L.P.
Head Office	Gloucester, UK
Date of Establishment	January 2009 Acquired by Hitachi from UK subsidiary of German utility companies E.On and RWE in November 2012
Shareholder	Hitachi, Ltd. (100%)



HORIZON
NUCLEAR POWER

● Overview of Horizon Project (Phase 1 Project)

- 2 ABWRs are planned to be constructed in Wylfa's site (southern area of the existing nuclear power plant) as the phase 1 project (Wylfa Newydd Project)



4-4. Negotiations with the UK Government (1) Ministerial Statement

Negotiations regarding financial support, etc. with the UK government continue



Greg Clark , Secretary of State for Business

Ministerial statement at the Parliament: Greg Clark, Secretary of State for Business, Energy and Industrial Strategy (Summary)

(June 4, 2018)

- I am pleased to confirm today that Hitachi and the UK Government have decided to enter into negotiations in relation to the proposed Wylfa Newydd project.
- This is an important next step for the project, although no decision has been taken yet to proceed with the project.
- Both the National Audit Office and Public Accounts Committee have recommended that the Government consider variations from the Hinkley Point C*¹ financing model in order to reduce costs to consumers.
- In line with the NAO and PAC's clear findings and recommendations, for this project the Government will be considering direct investment alongside Hitachi, Japanese Government agencies and other parties.

*1 Hinkley Point C is a project to construct a nuclear power station with two EPR reactors conducted by EDF in Somerset, UK

4-5. Negotiations with the UK Government (2) Hitachi Policy

Final investment decision to be made from the aspect of economic rationality as a private company

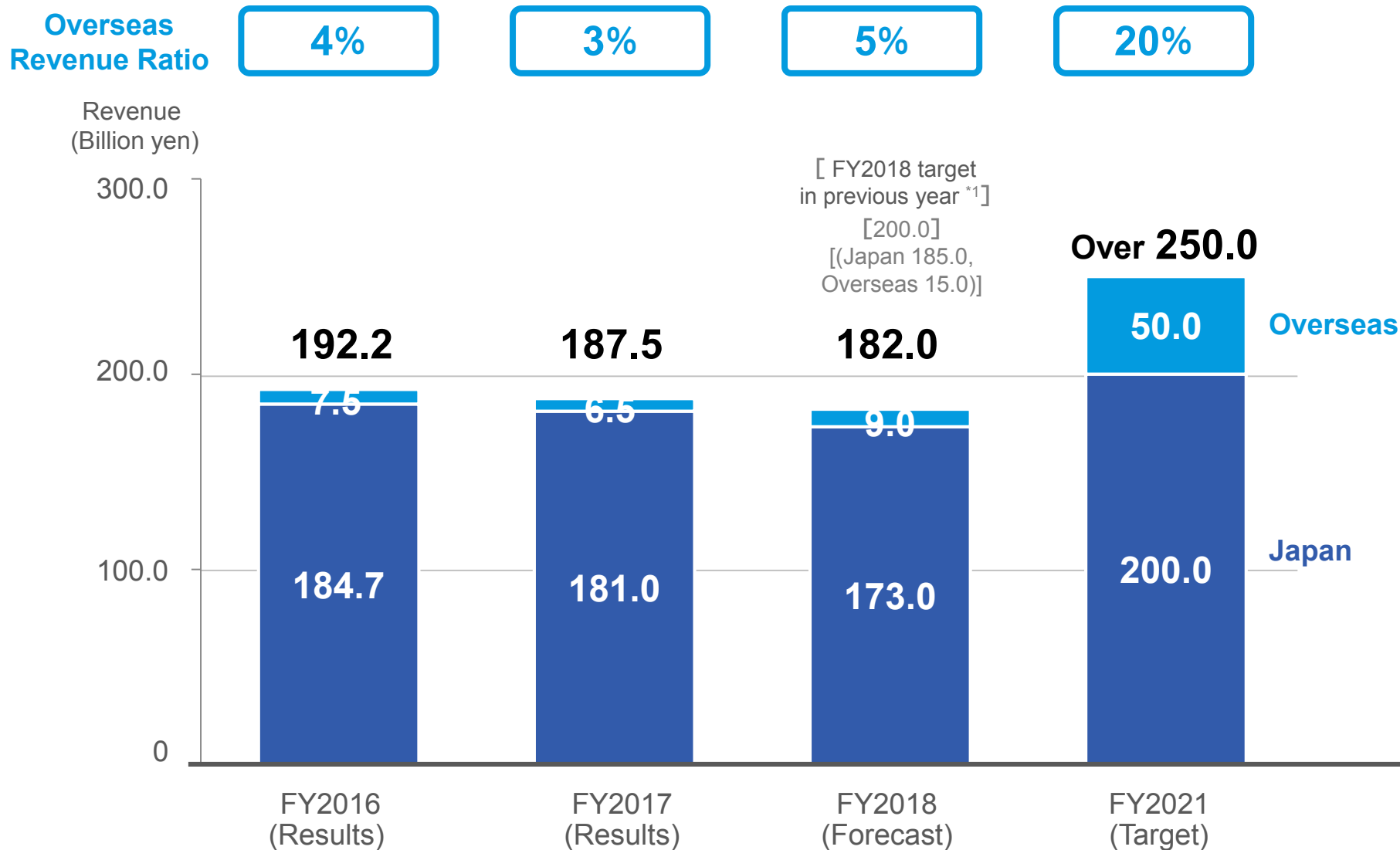
Hitachi policy in negotiating with UK government

- Details will be discussed in due course, Hitachi has welcomed the statement from Greg Clark, UK Secretary of State for Business, Energy and Industrial Strategy, on 4 June (GMT) on the new nuclear power construction project at Wylfa Newydd on Isle of Anglesey (Horizon Project), which indicates progress in the discussions to date between the parties.
- Hitachi will make its final investment decision for Horizon Project, after applying project assessment in terms of economic rationality as a private company while keeping below judgment criteria with the same business policy.

The business sustainability judgment criteria includes but not limited to:

- Financing model on the premise for making Horizon project off-balance-sheet
- Secure reasonable returns as a private company
- Investment amount will be decided with an acceptable range as a private company (including cost overrun)

4-6. Revenue Trend by Business Unit (Nuclear Energy Business Unit)



*1 Announced on June 8, 2017.

Power and Energy Business Strategy

Contents

1. Power and Energy Business Updates
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3. Summary
4. Status of Nuclear Energy Business
- 5. Business Performance Data and Glossary**

5-1. FY2017 Results (Power and Energy Business)

	FY2016	Previous Forecast ^{*1*2(1)}	FY2017 ^{*2(2)}	Difference (2)-(1)	FY2017 ^{*3}
Revenues	495.7 billion yen	490.0 billion yen	465.0 billion yen	(25.0) billion yen	450.9 billion yen
Overseas revenue ratio	9%	10%	8%	-	9%
Adjusted Operating Income	8.8 billion yen	17.0 billion yen	25.0 billion yen	+8.0 billion yen	25.6 billion yen
Adjusted Operating Income Ratio	1.8%	3.5%	5.4%	-	5.7%
EBIT	(57.2) billion yen	29.0 billion yen	39.9 billion yen	+10.9 billion yen	40.1 billion yen
EBIT Ratio	(11.5)%	5.9%	8.6%	-	8.9%
CCC	82.0 days	81.0 days	75.0 days	-	75.0 days
Orders Received ^{*4}	540.5 billion yen	454.4 billion yen	512.4 billion yen	+58.0 billion yen	495.9 billion yen
Order Backlog	746.1 billion yen	717.5 billion yen	695.8 billion yen	(21.7) billion yen	683.8 billion yen

*1 Announced on June 8, 2017.

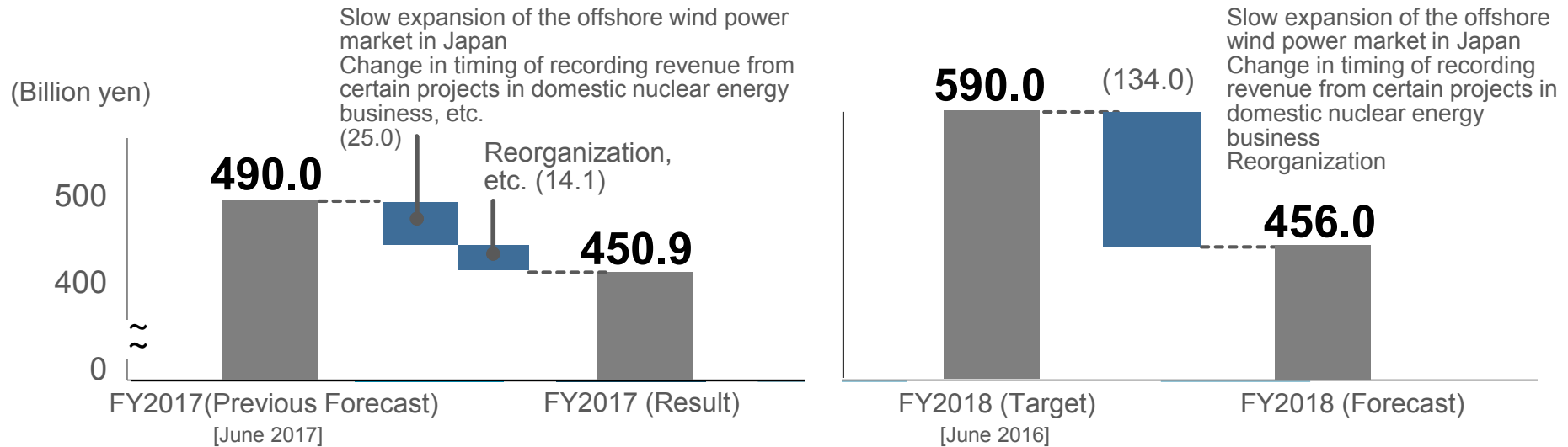
*2 Figures do not reflect the effect of reorganization implemented on April 1, 2018.

*3 Figures reflect the effect of reorganization implemented on April 1, 2018.

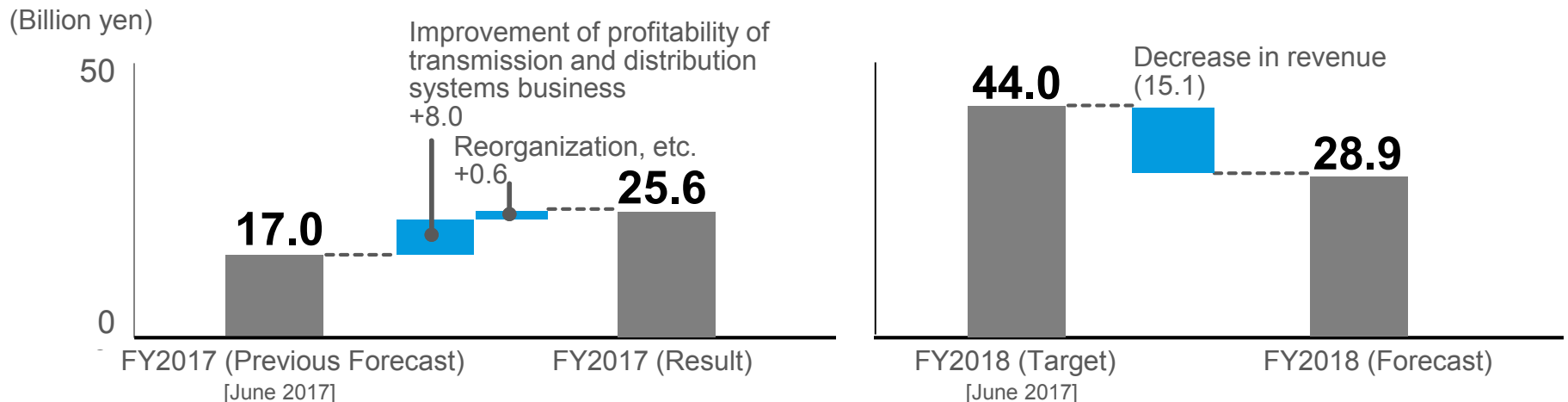
*4 Figures for orders received are retroactively revised.

5-2. Difference Between FY2017 Results and FY2018 Targets

Revenue



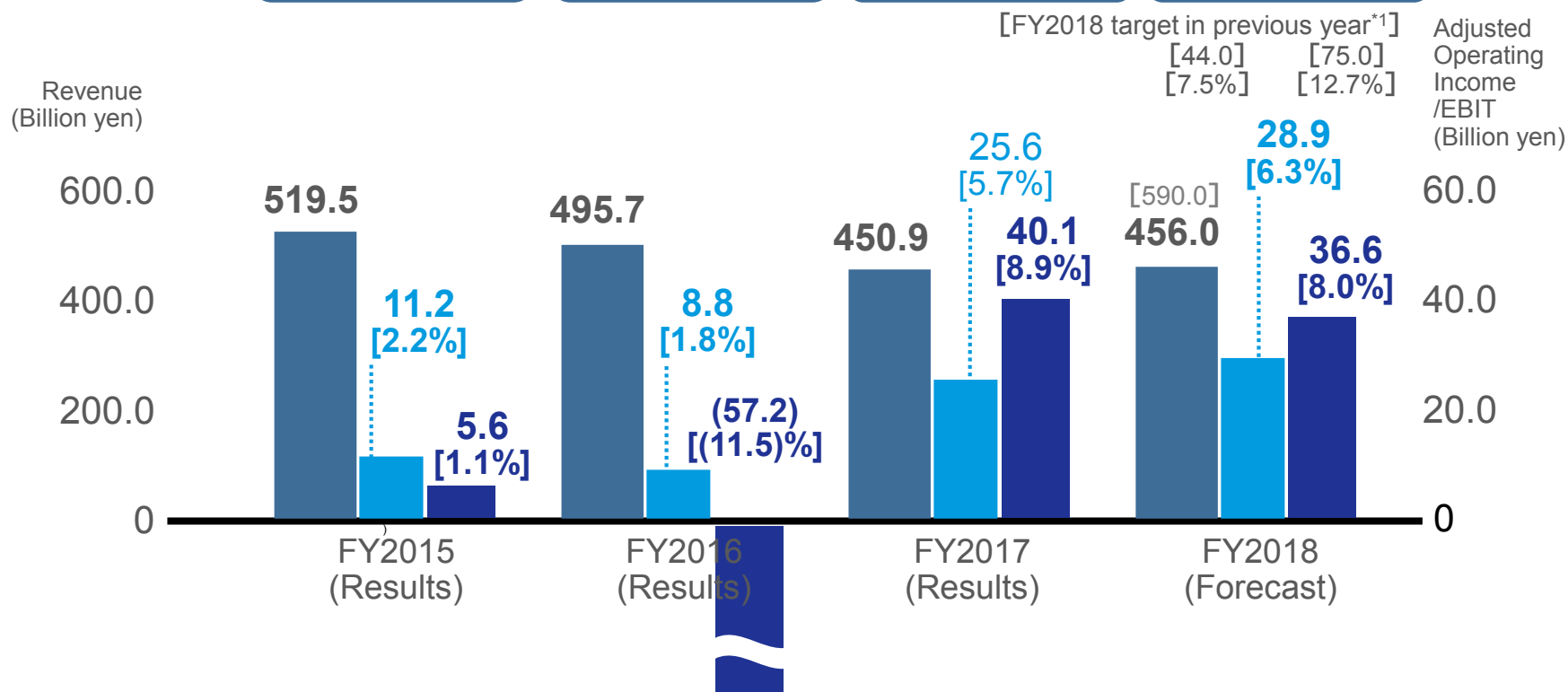
Adjusted Operating Income



Figures for FY2017 (result) and FY2018 (forecast) reflect the effect of reorganization implemented on April 1, 2018.

5-3. Business Performance Trends (Power and Energy Business)

Orders Received	590.8 billion yen	540.5 billion yen	495.9 billion yen	443.5 billion yen
Order Backlog	642.8 billion yen	746.1 billion yen	683.8 billion yen	671.3 billion yen
Overseas Revenue Ratio	9%	9%	9%	11%



■ Revenue ■ Adjusted Operating Income ([] Adjusted Operating Income Ratio) ■ EBIT ([] EBIT Ratio)

Figures for FY2017 (result) and FY2018 (forecast) reflect the effect of reorganization implemented on April 1, 2018.

Figures for orders received until FY2017 (result) are retroactively revised.

*1 Announced on June 8, 2017

5-4. SG&A expense, Gross Profit and CCC (Power and Energy Business)

SG&A expense

- Reduce indirect costs through work style reform
- Promote project pipeline management
- Overhaul fixed costs in Japan

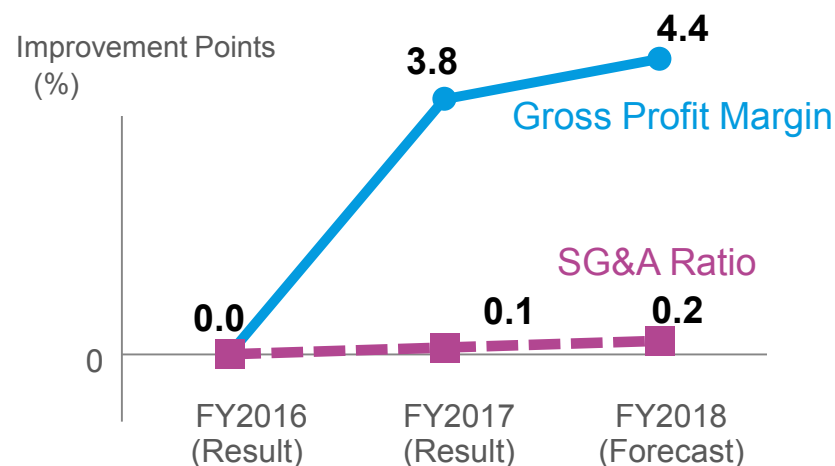
Gross Profit

- Reduce procurement costs through Value Chain Innovation activities
- Reduce loss costs by strengthening project management
- Promote cost reduction activities

Cash Generation

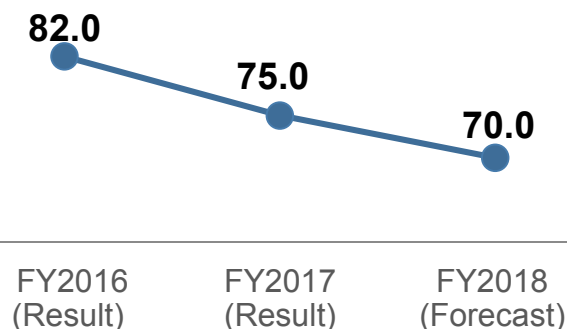
- Improve contract terms and speed up conclusion of contracts
- Thoroughly implement cash flow management of individual projects
- Improve CCC by reducing total assets

Improvement Points in Gross Profit and SG&A Margin



CCC

(Days)



5-5. Revenues by Business Unit

FY2017 Results

	FY2016	FY2017 (Forecast) ^{*1*2(1)}	FY2017 (Results) ^{*2(2)}	Difference (2)-(1)	FY2017 (Results) ^{*3}
Nuclear Energy Business Unit	192.2 billion yen	196.0 billion yen	187.5 billion yen	(8.5) billion yen	187.5 billion yen
Power Business Unit	276.9 billion yen	267.0 billion yen	249.1 billion yen	(17.9) billion yen	273.1 billion yen
Energy Solutions Business Unit ^{*4} ^{*5}	78.2 billion yen	74.0 billion yen	71.8 billion yen	(2.2) billion yen	-

Business Performance Trend

	FY2016 (Results)	FY2017 (Results) ^{*3}	FY2018 (Forecast) ^{*3}	FY2021 (Target)
Nuclear Energy Business Unit	192.2 billion yen	187.5 billion yen	182.0 billion yen	Over 250.0 billion yen
Power Business Unit	276.9 billion yen	273.1 billion yen	284.0 billion yen	Over 550.0 billion yen

*1 Announced on June 8, 2017.

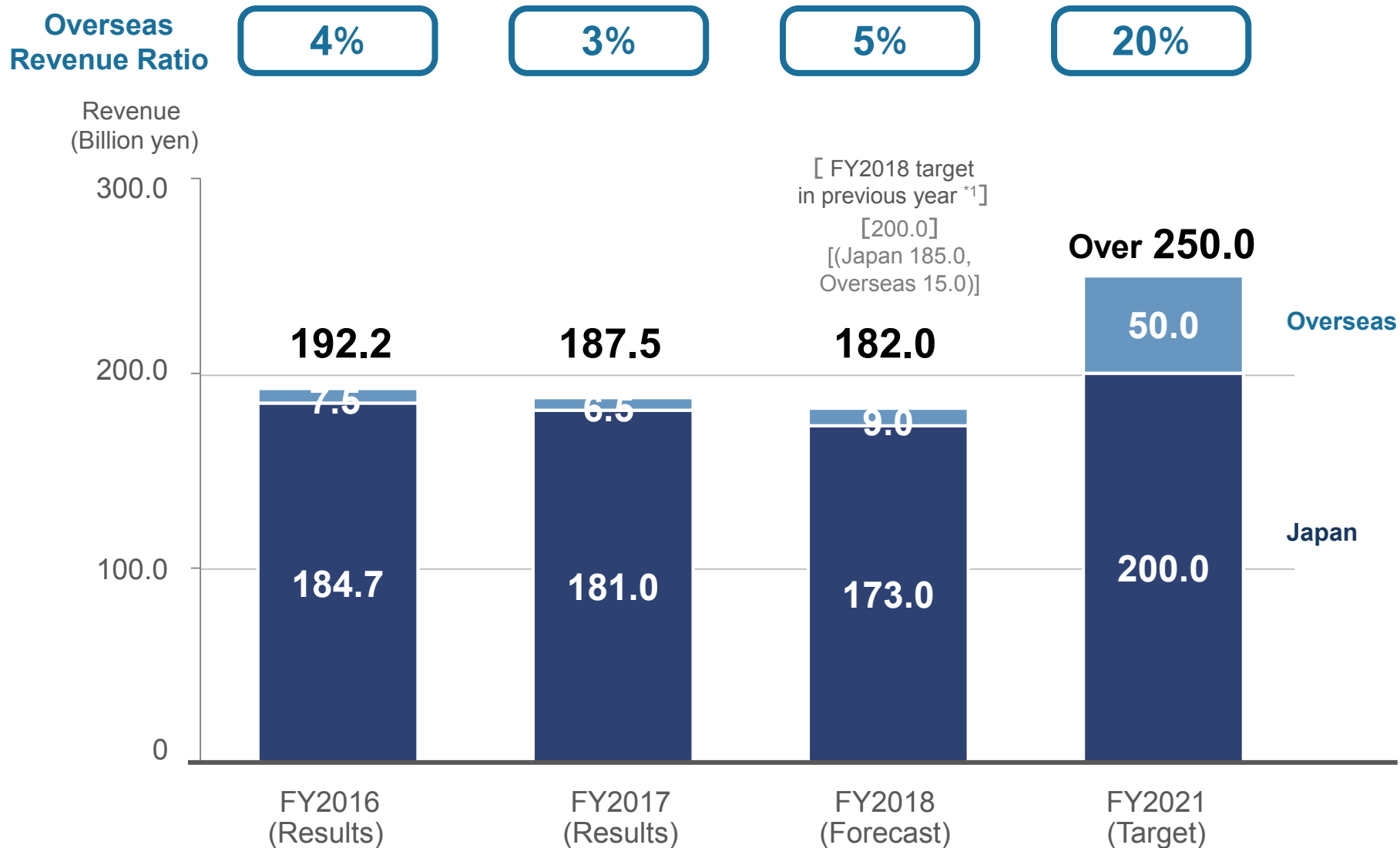
*2 Figures do not reflect the effect of reorganization implemented on April 1, 2018.

*3 Figures reflect the effect of reorganization implemented on April 1, 2018.

*4 Figures include IT systems business for the power and energy sector recorded in the Information and Telecommunication Systems segment.

*5 As a result of the restructuring in April 2018, the business of the Energy Solutions Business Unit was transferred to the Power Business Unit and Social Infrastructure Systems Business Unit (Information and Telecommunications Systems segment).

5-6. Revenue Trend by Business Unit (Nuclear Energy Business Unit)



*1 Announced on June 8, 2017.

5-6. Revenue Trend by Business Unit (Power Business Unit)

Overseas
Revenue Ratio

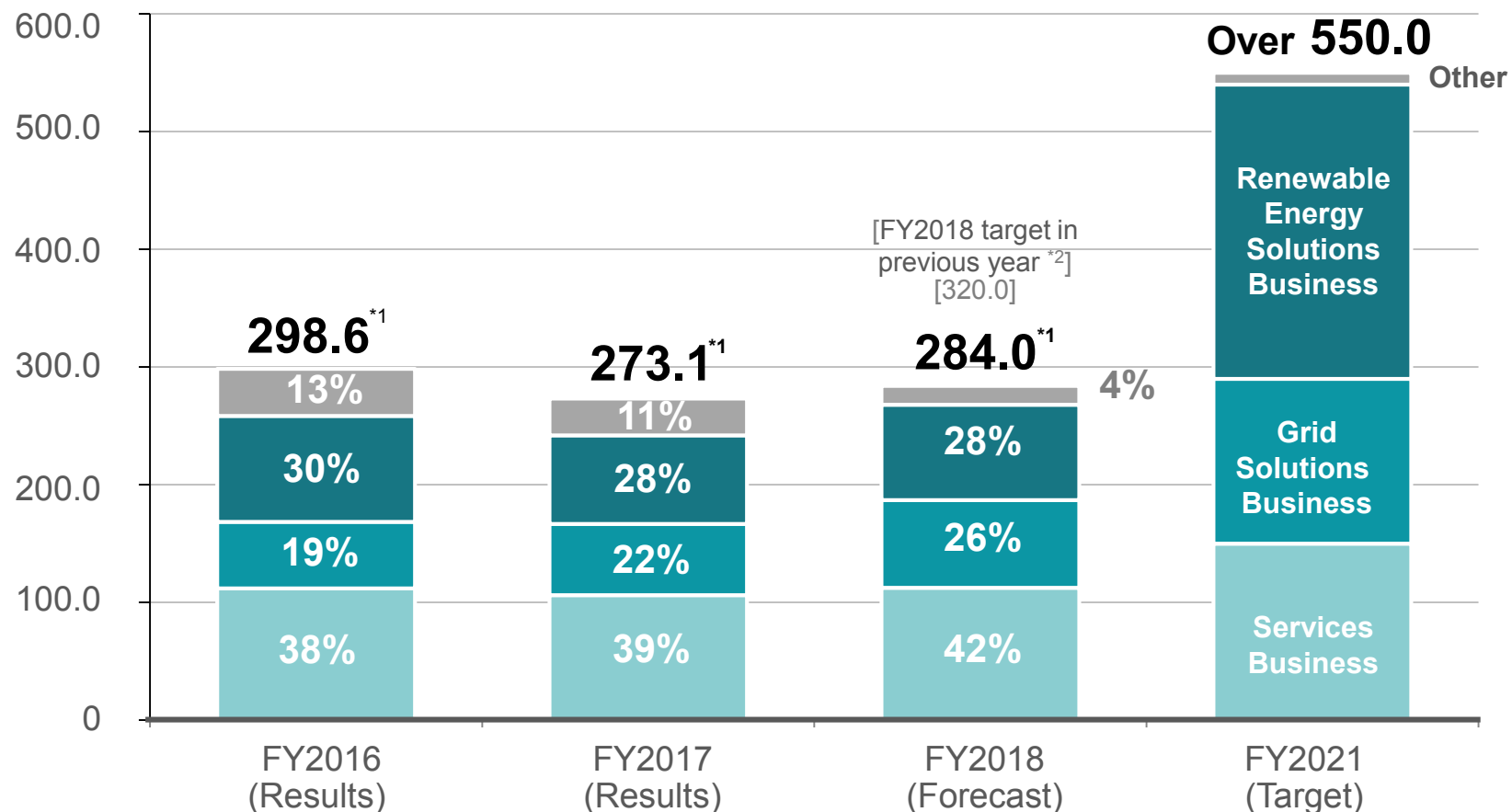
9%

9%

14%

Over 40%

Revenue
(Billion yen)



*1 Figures reflect the effect of reorganization implemented on April 1, 2018.

*2 Announced on June 8, 2017.

5-7. Terminology (1)

ABWR	:	Advanced Boiling Water Reactor
AGP	:	Advanced Gas Path
BPO	:	Business Process Outsourcing
CCC	:	Cash Conversion Cycle
DR	:	Demand Response
EBIT	:	Earnings Before Interest and Taxes
EDF	:	Électricité de France
EGAT	:	Electricity Generating Authority of Thailand
EPC	:	Engineering Procurement Construction
EPR	:	European Pressure Reactor
GDA	:	Generic Design Assessment
GIS	:	Gas Insulated Switchgear

5-8. Terminology (2)

HEMS	:	Home Energy Management System
HVDC	:	High Voltage Direct Current
IoT	:	Internet of Things
LCoE	:	Levelized Cost of Electricity
LTSA	:	Long Term Service Agreement
NAO	:	National Audit Office
O&M	:	Operation & Maintenance
OPEX	:	Operating Expense
PAC	:	Public Accounts Committee
SDGs	:	Sustainable Development Goals
UHV	:	Ultra High Voltage
VEC	:	Value Engineering for Customers
VPP	:	Virtual Power Plant

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;
- 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;
- 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;
- 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;
- 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 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;
- 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;
- increased commoditization of and intensifying price competition for products;
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel;
- 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;
- the potential for significant losses on Hitachi’s investments in equity-method associates and joint ventures;
- 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 cost structure overhaul;
- uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property;
- 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 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; and
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its employee benefit-related costs.

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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