

Progress of 2015 Mid-term Management Plan

Progress until end of Fiscal 2014

Measures for Fiscal 2015



GLOBAL

Global business expanded steadily, especially in the North American market

- Expanded financial solution services
 - Payment services, ATM (India, China)
- Gained first contract to provide "AT-200" commuter train (Europe)
- Launched demonstration of "CrystEna" energy storage system (North America)
- Expanded business in growing North American auto market
 - Expanded customer base for automotive cast products by acquiring Waupaca Foundry, Inc. (Hitachi Metals)

Acceleration of global business development initiatives through the use of IT

- Business rollout in IoT market
 - Acquire Pentaho Corporation, which has advanced data analytics software technologies and an extensive customer base (North America)
- Expand solutions using IT (analytics)

Overseas revenue ratio (U.S. GAAP)

FY2013 Result	FY2014 Result	FY2015	
45%	47%	Forecast	Initial target
		50%	Over 50%



INNOVATION

O&M services revenue expanded

- Strengthened maintenance service by cloud remote monitoring system
- Expanded operation services of information business including BPO

Strengthen profitable service businesses

- Expand long-term fee service business (Train and Energy)
- Utilize telecommunication technology in social infrastructure field
 - Expand IoT service business
- Create new service business utilizing IT (analytics)

China Smart Logistics

Provide comprehensive services to customers combining the Hitachi Group's assets and capabilities through IT

Procurement Service: VMI Operation / Factoring

Procurement EDI Service: e-commerce for procurement business

Logistics Service: 3PL, JIT delivery



TRANSFORMATION

Achieved cost reductions exceeding targets in Fiscal 2014

- Achieved cost reduction of 320 billion yen as a cumulative total for FY2014
- CCC (Manufacturing, Services and Others) is on par with the previous year, due to increased inventory resulting from changes in the market environment and concentration of sales at the end of the fiscal year (81.3 days in FY2013 → 81.5 days in FY2014)

Strengthen measures aimed at increasing cash

Reduction of cost of sales and SG&A* (+100 billion yen)

Reduction of Cost of Sales

Further cost reduction throughout the entire value chain / Improve operational efficiency; e.g., design and manufacturing operations

Reduction of SG&A

Review all aspects of fixed costs in Japan / Reduce indirect materials

Improvement of CCC (Manufacturing, Services and Others) (5-day reduction, +130 billion yen)

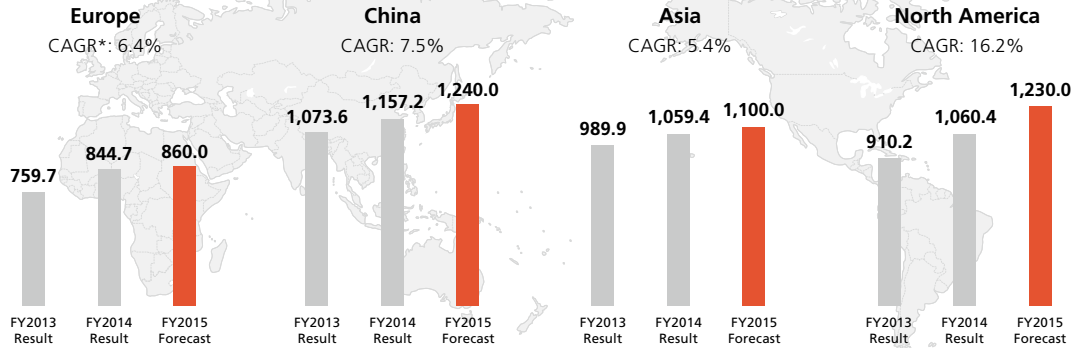
Review inventory assets / Improve cash flow / Improve cash management / Business process reforms

* SG&A: Selling, General & Administrative expenses

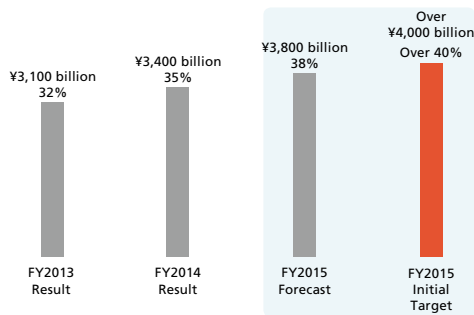


Overseas revenue (Billion yen)

* CAGR: Compound Annual Growth Rate



Service revenues / Service revenues ratio (U.S. GAAP)



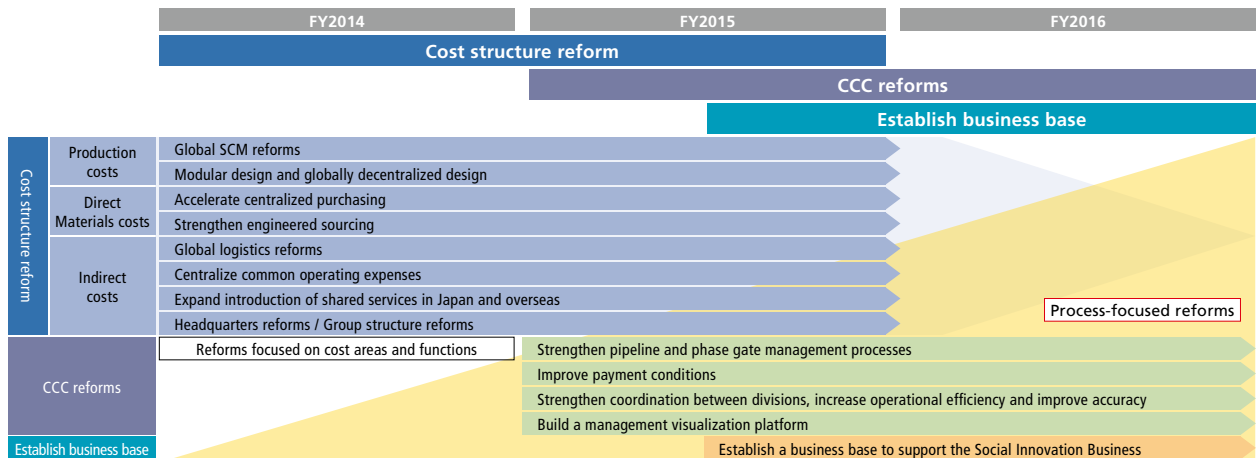
Cost reduction effects (U.S. GAAP)

■ Single-year benefit (billion yen)
■ Cumulative benefit (billion yen)



Future plans of cost structure reform

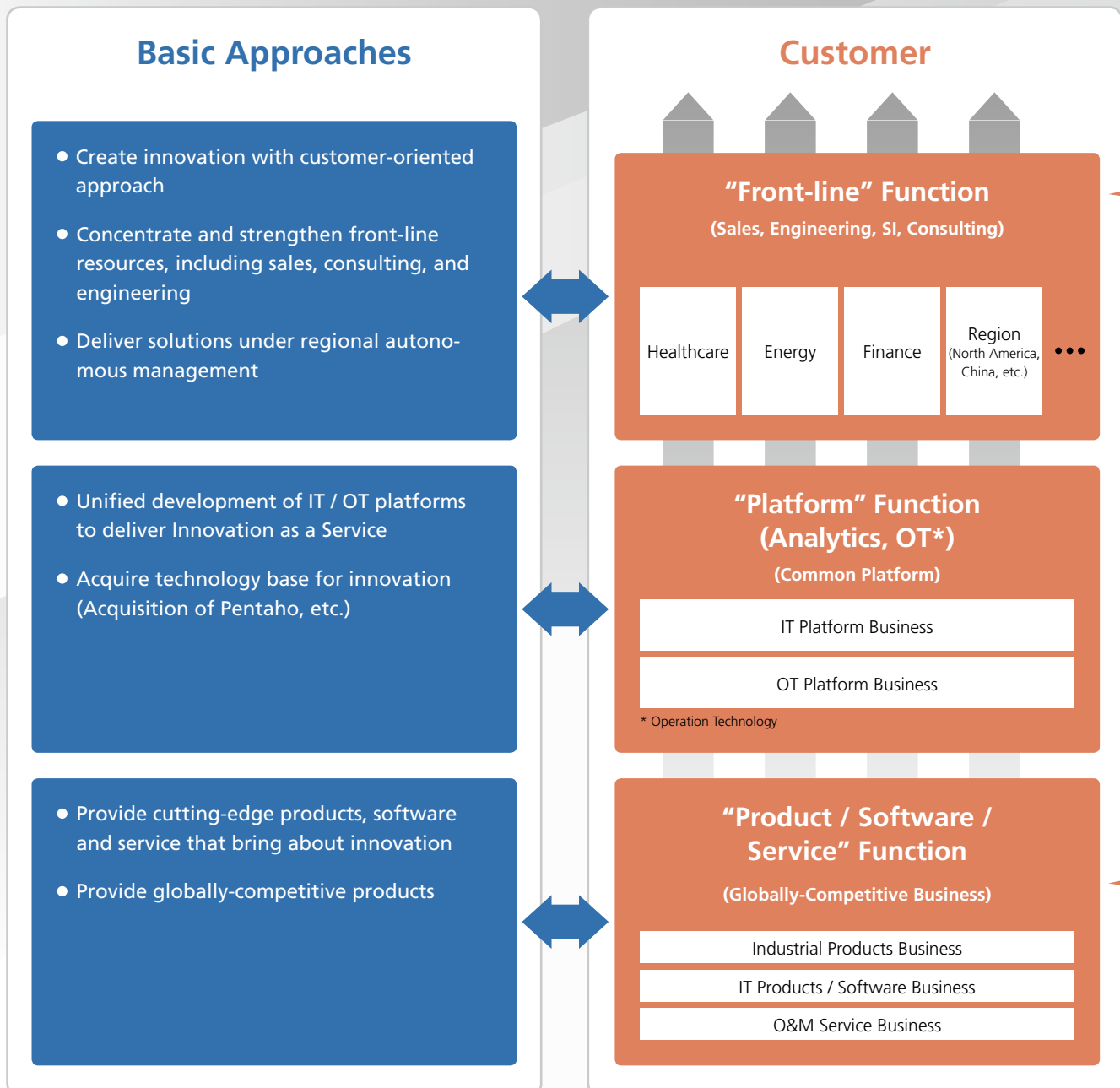
Reap benefits to achieve the targets of the 2015 Mid-term Management Plan and commence initiatives in anticipation of the next mid-term plan



Progress of 2015 Mid-term Management Plan

Hitachi toward Social Innovation Business

Hitachi is accelerating global business development initiatives in the Social Innovation Business, which identifies and resolves the problems faced by society and customers. These problems are growing more advanced and complex, and to address them Hitachi places high priority on front-line capabilities, which enable us to work side-by-side with customers in each industry and region to create solutions. Moreover, we believe that the realization of our future vision will require the establishment and reinforcement of three levels of capabilities. In addition to front-line function, these include analytics / control function (common platforms), which enables the realization of higher-value-added solutions through the use of big data and other initiatives, and product function, which supports solutions.



Front-line capabilities by industry

- Establishing business entities for the provision of solutions — established healthcare and energy solutions companies and consolidated front-line capabilities
- Consolidating systems integration capabilities in the financial, public sector, and social fields — strengthened systems integration capabilities, such as by absorbing businesses in the financial, public sector, and social fields into Hitachi Solutions

Global Management

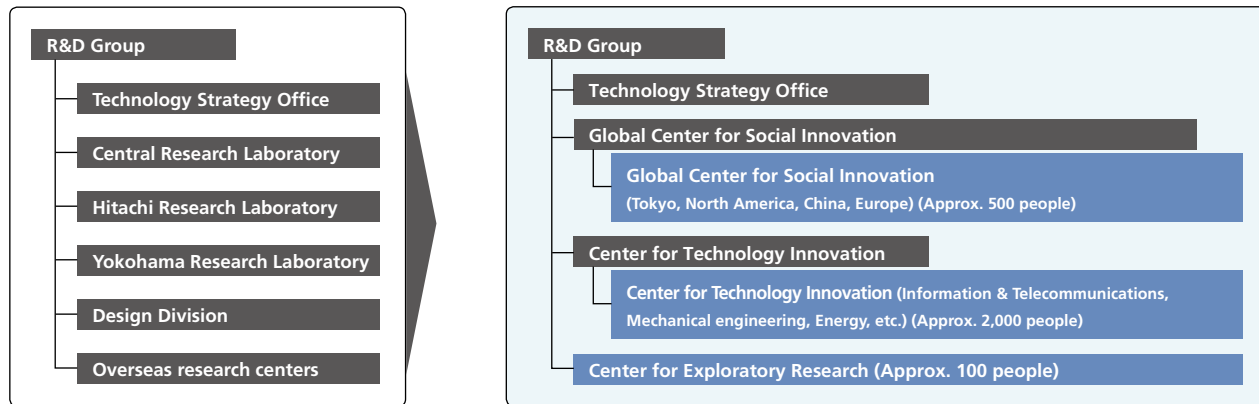
- Appointment of Chief Executives in four regions: the Americas, China, Asia-Pacific, and EMEA-CIS (Europe, Russia, Middle East, and others)
- Transition to system of “autonomous distributed global management” under which each region autonomously takes the lead in the Social Innovation Business and works to create value

Global Region	Countries / Regions covered	Chief Executive	Business areas
The Americas	North, Central, and South America	John Domme	Energy, Communications, Healthcare, Connected cars, Security
Europe / Russia / Middle East and other areas (“EMEA·CIS”)	Europe, Russia·CIS, Middle East, Turkey, Africa	Klaus Dieter Rennert	Production / SCM, Energy, Healthcare
China	China	Kenichi Kokubo	Urban planning / development and building facility management, Finance, Healthcare, Smart logistics
Asia / Pacific	ASEAN, India, Oceania, Korea	Ichiro Iino	Healthcare, Finance, Developers and conglomerates

Global R&D

- Reorganized R&D structure in April 2015 to promote R&D from the customer’s perspective
- Established Global Center for Social Innovation to lead from the front with new solutions, working together with customers to visualize issues

Hitachi’s New R&D Structure



Supply core products that support the Social Innovation Business

