

Cost Structure Reform and Strategies for Seven Businesses toward Achieving “2015 Mid-term Management Plan” Goals

Tokyo, June 13, 2013 – Hitachi, Ltd. (TSE: 6501) today announced Cost Structure Reform and strategies for seven businesses toward achieving the goals of its “2015 Mid-term Management Plan.” On May 16, 2013, Hitachi announced the “2015 Mid-term Management Plan.” The primary goals of this new medium-term management plan are to promote achieving growth and Hitachi’s transformation driven by Social Innovation Business.

■ Cost Structure Reform: Hitachi Smart Transformation Project

1. Cost Reduction Results and Targets (Cumulative from FY2011)

[Billions of yen]

	FY2011 Results	FY2012 Results	FY2013 Forecasts	FY2014 Forecasts	FY2015 Targets
Cost Reduction Benefits	35.0	110.0	210.0	310.0	400.0

2. Activity Policy

“Speed up cost structure reforms through activities across the entire Hitachi Group and cross-functional activities”

3. Activities by Cost Areas

(1) Production costs

- Centralize manufacturing bases
- Utilize a unified IT platform to visualize information on a global basis
- Revamp the value chain from design through manufacturing

(2) Direct materials costs

- Increase global corporate procurement bases
- Established Hitachi China Materials Technology Innovation Center
- Promote measures to address higher raw materials prices

(3) Indirect costs

- Visualize and centralize costs
- Use outsourcing for financial, indirect materials procurement and other operations
- Simplify the Group structure by eliminating redundant functions

■ Strategies for Seven Businesses

1. Information & Telecommunication Systems Business Strategy

1-1. FY2012 Results, Forecasts for FY2013 and Targets for FY2015

[Billions of yen]

	FY2012 Results	FY2013 Forecasts	FY2015 Targets
Revenues	1,786.5	1,820.0	2,100.0
EBIT ⁽¹⁾ (Operating income) ratio	5.8% (5.9%)	6.0%	9.8% (10.0%)
Overseas revenue ratio	26%	29%	35%
Service revenue ratio	60%	-	Over 65%

(1) EBIT: Earnings before Interest and Taxes

1-2. Business Policy

“Become a global major player by 3Gs (Growth, Global and Group)”

1-3. Business Strategy

(1) Strengthen Priority Fields

- Create new customer value and business opportunities using Big Data
- Provide second-generation cloud computing services to address more diverse and sophisticated customer needs in response to expanding use of cloud computing services
- Provide security services covering entire social infrastructure and corporate activities

(2) Expand Global Businesses

- Accelerate growth in global markets centered on Hitachi Data Systems
- Hitachi Consulting drives global business by the approach from upstream level
- Strengthen global solutions delivery as One Hitachi

(3) Strengthen Services Businesses

- Strengthen upstream: Management/operation consulting, Big Data utilization
- Expand comprehensive services: comprehensive outsourcing, managed service, second generation cloud

1-4. Cost Structure Reform (Hitachi Smart Transformation Project)

[1] Reduce manufacturing cost by consolidating manufacture facilities

[2] Integrate IT within Hitachi Group

[3] Reduce indirect cost by consolidating administration and common operations and expanding shared services

Cumulative cost reduction benefits from FY2011 to FY2015: 65.0 billion yen

2. Infrastructure Systems Business ⁽²⁾

2-1. FY2012 Results, Forecasts for FY2013 and Targets for FY2015

[Billions of yen]

	FY2012 Results	FY2013 Forecasts	FY2015 Targets
Revenues	785.5	840.0	1,000.0
EBIT (Operating income) ratio	4.0% (3.6%)	3.7% (3.7%)	Over 7% (Over 7%)
Overseas revenue ratio	21%	22%	33%
Service revenue ratio	28%	30%	Over 35%

(2) The Infrastructure Systems Business figures are the simple sum of two companies: the Infrastructure Systems Company (including Hitachi Plant Technologies, Ltd., which was merged with Hitachi, Ltd. in April 2013), and Hitachi Industrial Equipment Systems Co., Ltd. A certain amount of revenues and operating income of the Infrastructure Systems Company is included in the Information & Telecommunication Systems Company, the Power Systems Company and the Rail Systems Company.

2-2. Business Policy

“Become the best solutions partner by providing answers to business challenges faced by global customers”

2-3. Business Strategy

(1) Strengthen Solutions Capabilities

- Apply demonstrated technologies
- Leverage distinctive technologies to expand into growth markets
- Provide total solutions with total engineering

(2) Expand Service Business

- Strengthen cloud-based lifecycle support business
- Expand infrastructure operation service business

(3) Strengthen Global Supply Chain

- Expand customer-centric businesses in growth markets
- Establish relationships with big accounts
- Expand in emerging markets leveraging local production bases

(4) Strengthen Management Base

- Promote Hitachi Smart Transformation Project
- Strengthen cash flow management

2-4. Cost Structure Reform (Hitachi Smart Transformation Project)

- [1] Centralize overlapping operations and resources, and improve efficiency
- [2] Build an optimal business framework, including Group companies
- [3] Reduce costs through modular design-based product reforms, and process reforms due to the application of standard work breakdown structure
- [4] Nourish local staff and appoint locals to management positions, and promote localization

Cumulative cost reduction benefits from FY2011 to FY2015: 41.0 billion yen

3. Rail Systems Business

3-1. FY2012 Results, Forecasts for FY2013, and Targets for FY2015 and FY2016

[Billions of yen]

	FY2012 Results	FY2013 Forecasts	FY2015 Targets	FY2016 Targets
Revenues	146.7	150.0	200.0	240.0
EBIT (Operating income) ratio	3.6% (3.4%)	3.2% (3.4%)	6.5% (6.5%)	8.0% (8.0%)
Overseas revenue ratio	26%	39%	60%	65%

3-2. Business Policy

“Accelerate globalization with technologies developed in Japan and promote Social Innovation Business”

3-3. Business Strategy

(1) Global

- Expand existing bases (Japan, UK and China)
- Actively develop new bases (India, Brazil and Southeast Asia)

(2) Transformation

- Reshape business portfolio
- Expand and enhance product portfolio

(3) Innovation

- Provide the total rail solutions

3-4. Cost Structure Reform (Hitachi Smart Transformation Project)

[1] Further promote local manufacturing bases and global procurement
(UK, China, Brazil and India)

[2] Optimize global logistics

[3] Centralize IT and business systems

Cumulative cost reduction benefits from FY2011 to FY2015: 11.0 billion yen

4. Urban Planning and Development Systems Business

4-1. FY2012 Results, Forecasts for FY2013 and Targets for FY2015

[Billions of yen]

	FY2012 Results	FY2013 Forecasts	FY2015 Targets
Revenues	491.0	500.0	560.0
EBIT (Operating income) ratio	7.4%	8.0%	Over 10% (Over 10%)
Overseas revenue ratio	41%	50%	56%

4-2. Business Policy

“Aim to expand business further, centered on overseas business, and actively promote the Hitachi Smart Transformation Project”

4-3. Business Strategy

[1] China

- Expand sales in new installation market and enhance production system
- Raise brand value by developing and introducing the world's No.1 products

[2] Southeast Asia, India and the Middle East

- Enhance production system, and expand business in India

[3] New regions

- Penetrate new markets by cooperating with local partners

[4] Japan

- Expand and strengthen service business (maintenance, modernization)

4-4. Cost Structure Reform (Hitachi Smart Transformation Project)

[1] Raise production efficiency by centralizing production of common components

Apply modular design

[2] Expand global procurement

Strengthen cost planning and development purchasing

[3] Unify global IT platform

Reduce indirect manufacturing costs through improved operational efficiency

Cumulative cost reduction benefits from FY2011 to FY2015: 10.0 billion yen

5. Power Systems Business

5-1. FY2012 Results, Forecasts for FY2013 and Targets for FY2015^{*3}

[Billions of yen]

	FY2012 Results	FY2013 Forecasts	FY2015 Targets
Revenues	904.6	750.0	500.0
EBIT ratio	3.3%	1.9%	11.6%
Overseas revenue ratio	36%	43%	28%

(3) The results of the thermal power systems business will be recorded in an integrated company (equity-method affiliate) to be established with Mitsubishi Heavy Industries, Ltd. from the fourth quarter of FY2013.

5-2. Business Policy

“The world market leader advancing the future global society with evolutionary energy technologies”

5-3. Business Strategy

Focus on growth business fields and building earnings base

(1) Expand Base Businesses : Build new nuclear power plant, etc.

(2) Expand Growth Businesses : Power transmission and distribution, renewable energy, particle beam therapy systems
Launch energy solutions business

(3) Expand Services Business : Expand preventive maintenance and enhanced maintenance services

5-4. Strategy by Businesses

(1) Nuclear Power Business [Billions of yen]

	FY2012 Results	FY2020 Targets
Revenues	160.0	360.0

[1] Respond to the Fukushima restoration and revitalization, and promote measures to increase plant safety

[2] Promote and strengthen overseas energy solutions business

(2) Transmission & Distribution Business [Billions of yen]

	FY2012 Results	FY2015 Targets
Revenues	70.0	110.0

[1] Expand T&D business globally based on competitive products and abundant supply experiences

[2] Strengthen systems integration business fusing equipment and IT

(3) Renewable Energy Business and Others [Billions of yen]

	FY2012 Results	FY2015 Targets
Revenues	160.0	240.0

[1] Renewable Energy Business : Help create a low-carbon society with wind and photovoltaic power systems
Provide integrated services extending from grid connection and construction to maintenance, operation and monitoring

[2] Particle Beam Therapy System Business : Expand business through leading-edge technologies such as world-leading advanced spot scanning irradiation technology, and outstanding operational track records in Japan and the U.S.

5-5. Cost Structure Reform (Hitachi Smart Transformation Project)

- [1] Reduce production costs : Create global manufacturing system and value chain
- [2] Reduce direct materials : Expand global procurement and engineering costs
- [3] Reduce indirect costs : Optimize business structure by IT and structural reforms

Cumulative cost reduction benefits from FY2011 to FY2015: 53.0 billion yen

6. Automotive Systems Business

6-1. FY2012 Results, Forecasts for FY2013 and Targets for FY2015

[Billions of yen]

	FY2012 Results	FY2013 Forecasts	FY2015 Targets
Revenues	806.8	820.0	1,000.0
EBIT (Operating income) ratio	4.5%	5.0%	7.0% (7.0%)
Overseas revenue ratio for global customer bases ^{*4}	50%	55%	60%

(4) Customer bases that install automotive components in finished vehicles. This is different from overseas revenues in the consolidated accounts.

6-2. Business Policy

“Harness advanced technologies in the environment, safety and information fields to create new value for people, automobiles and society, and a richer society”

6-3. Business Strategy

- (1) Customer Strategy
 - Expand sales to global automakers
- (2) Regional Strategy
 - Produce locally for local consumption in regions around the world
- (3) Product Strategy
 - Build next-generation environment, safety systems

6-4. Cost Structure Reform (Hitachi Smart Transformation Project)

- [1] Globally develop low-cost, standard production lines
 - Cost reduction due to defective work through Zero Defects activities
- [2] Costs reduction by VEC activities and rigorously adopting overseas materials
 - Maintain procurement networks compatible with global TSCM
- [3] Optimize global logistics

7. Hitachi Appliances, Inc

7-1. FY2012 Results, Forecasts for FY2013 and Targets for FY2015

[Billions of yen]

	FY2012 Results	FY2013 Forecasts	FY2015 Targets
Revenues	569.9	610.0	700.0
EBIT (Operating income) ratio	2.2% (1.3%)	3.2%	Over 5% (Over 5%)
Overseas revenue ratio	32%	34%	Over 40%

7-2. Business Policy

“Supply eco-friendly, comfortable home appliances and air-conditioning products based on cutting-edge technologies to the world”

7-3. Business Strategy

- [1] Growth Strategy
 - Actively business expansion in emerging nations markets
 - Promote environmental technology
 - Develop and use resources
- [2] Strengthen earnings base
 - Cost structure reform
 - Global business reform
 - Improve cash flows

7-4. Strategy by Businesses

[1] Air Conditioning Business [Billions of yen]

	FY2012 Results	FY2015 Targets
Revenues	288.8	380.0

- Support customers with a broad lineup ranging from home-use air conditioners to building- and industrial-use air conditioners
- Launch No.1 energy-saving products compliant with environmental regulations in each area
- Concentrate investments into manufacturing and sales channel in emerging nations markets

[2] Home Appliances Business [Billions of yen]

	FY2012 Results	FY2015 Targets
Revenues	281.1	320.0

- Develop premium strategy according to the market
- Target Asian belt zone leveraging the domestic business
- Strengthen new environmental technologies business (LED lighting, solar power generation systems)

7-5. Cost Structure Reform (Hitachi Smart Transformation Project)

[1] Produce more key components internally, and reduce costs

[2] Promote business reforms such as orders, logistics and services, and utilize procurement schemes linked with Hitachi Group companies

[3] Standardize and centralize IT and business systems, and utilize shared services

Cumulative cost reduction benefits from FY2011 to FY2015: 27.0 billion yen

About Hitachi, Ltd.

Hitachi, Ltd. (TSE: 6501), headquartered in Tokyo, Japan, is a leading global electronics company with approximately 326,000 employees worldwide. The company's consolidated revenues for fiscal 2012 (ended March 31, 2013) totaled 9,041 billion yen (\$96.1 billion). Hitachi is focusing more than ever on the Social Innovation Business, which includes infrastructure systems, information & telecommunication systems, power systems, construction machinery, high functional material & components, automotive systems and others.

For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

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;
- the potential for significant losses on Hitachi’s investments in equity method affiliates;
- increased commoditization of information technology products and digital media-related products and intensifying price competition for such products, particularly in the Digital Media & Consumer Products segments;
- 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;
- 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 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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Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.
