

FOR IMMEDIATE RELEASE

## Growth Strategies for the Business Units and Others toward Achieving “2018 Mid-term Management Plan” Targets

Tokyo, June 8, 2017 — Hitachi, Ltd. (TSE: 6501) today announced its growth strategies for the Business Units (BUs) and others toward achieving “2018 Mid-term Management Plan” Targets. On May 12, 2017, Hitachi announced a progress of the “2018 Mid-term Management Plan” to aim to become an Innovation Partner for the IoT Era by Social Innovation Business. The primary targets of this mid-term management plan are to promote achieving growth.

### ■ Summary

#### 1. 2018 Mid-term Management Plan Target

	FY2016 Result	FY2017 Forecast <sup>*1, *2</sup>	FY2018 Target <sup>*1, *2</sup>
Revenues	9,162.2 billion yen	9,050.0 billion yen	10,000.0 billion yen
Adjusted operating income <sup>*3</sup> ratio	6.4%	7.0%	Over 8%
EBIT <sup>*4</sup> ratio	5.2%	6.4%	Over 8%
Net income attributable to Hitachi, Ltd. stockholders	231.2 billion yen	300.0 billion yen	Over 400.0 billion yen
Front revenue ratio	38%	-	40%
Overseas revenue ratio	48%	50%	Over 55%
Operating Cash Flow Margin <sup>*5</sup>	7.1%	-	Over 9%
ROA <sup>*5, *6</sup>	3.3%	-	Over 5%
CCC <sup>*5, *7</sup>	72.2 days	-	70 days
Gross Profit Margin	26.0%	-	Over 28%
SG&A <sup>*8</sup> ratio	19.6%	-	20%

Notes: \*1 Figures reflect the conversion of Hitachi Kokusai Electric Inc. into an equity-method affiliate.

\*2 Foreign exchange rate assumption: FY2017 110 yen / U.S. dollar 115 yen / euro, FY2018 110 yen / U.S. dollar, 120 yen / euro

\*3 [Adjusted operating income] = [Revenues] - [Cost of sales] - [Selling, general and administrative expenses]

\*4 EBIT (Earnings Before Interest and Taxes) is presented as income from continuing operations, before income taxes less interest income plus interest charges.

\*5 Manufacturing, Services and Others

\*6 ROA (Return on Asset) = [Net income] / [Total Asset (Average between the end of current fiscal year and the end of previous fiscal year)] x 100

\*7 CCC: Cash Conversion Cycle of Manufacturing, Services and Others

\*8 SG&A: Selling, General & Administrative expenses (including R&D expenditure)

■ **Expanding Social Innovation Business with Lumada** [Billions of yen]

	FY2016 Result	FY2017 Forecast	FY2018 Target
	Revenues	Revenues	Revenues
Lumada Business	900.0	950.0	1,050.0
Lumada Core Business	120.0	190.0	290.0
Lumada SI Business	780.0	760.0	760.0

**(1) Lumada Business Strategy**

**[1] Model for Utilizing Hitachi's IoT Platform**

- Creating new value through collaborative creation with customers is supported by data-centric IoT platform Lumada

**[2] Lumada Business**

- Hitachi aims to generate more than one trillion yen across the entire Lumada business in FY2018, through expanding the open and scalable Lumada Core Business based on Lumada SI Business as an individual SI

**[3] IoT Platform Lumada**

- Collect digital data generated from wide range of assets possessed by customers, and support solutions for business issues through emerging digital technologies such as artificial intelligence

**(2) Expanding Lumada Business**

**[1] Lumada Business Growth Model**

- Under leadership of Chief Lumada Officers, build up a range of customer cases and accelerate business growth through the interaction of the three monetization models

**[2] Increase the number of customer cases**

- Collected and published the 203 customer cases focused on the industrial sector such as smart factories, and promote collaborative creation with front-facing customers

**[3] Lumada SI Business Strategy**

- Focus on bids for data-sharing system as the basis of data utilization, with aims to accelerate deployment of the Lumada Core Business

**[4] Lumada Core Business Strategy**

- Accelerate creation of digital solutions through front-led collaborative creation with customers
- Enhance Global Front: Promote regionally-led collaborative creation with customers and deploy digital solutions to various industries and business categories
- Platform Sales: Accelerate the investment recovery of Lumada development by the sales of Hitachi Data Systems' Data Lakes HCP<sup>9</sup> and Pentaho's analytics software "Pentaho"
- Strengthen Human Resources in the IoT Field: Hired world-class talents, position Silicon Valley as the hub of research and development, and develop distinctive technologies in conjunction with Insights Laboratory

## [5] Improvement of Management Indicators

- Contribute to improve management indicators by promoting digital technology utilization in a part of Hitachi Smart Transformation Project run since FY2015, and through the visualization and optimization of business processes
- Bringing Smart Technologies to Production Sites: Implemented value verification using actual data at Hitachi Group production plants and built up around 30 customer cases to be sequentially rolled out internally and externally

## (3) Business Promotion Framework

- As the global platform division, the Services & Platforms Business Unit (Hitachi Insight Group) supports the growth of Social Innovation Businesses in collaboration with front units

Notes: \*9 HCP: Hitachi Content Platform

## ■ Growth Strategies for the Business Units and Others

### 1 Industrial Products BU<sup>\*10</sup>

[Billions of yen]

BU	FY2016 Result		FY2017 Forecast		FY2018 Target <sup>*11</sup>	
	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio
		EBIT ratio		EBIT ratio		EBIT ratio
Industrial Products BU	344.4	4.6%	360.0	5.4%	400.0	8.0%
		2.5%		4.7%		7.2%

Notes: \*10 Figures are the simple sum of two companies: Industrial Products BU and Hitachi Industrial Equipment Systems Co., Ltd..

\*11 Forecasts for FY2018: Revenues: 420.0 billion yen; Adjusted operating income ratio: 8.1%; EBIT ratio: 7.1%

## (1) Vision

### [1] Vision

- Establishing “strong product-led businesses” to meet wide range of industrial needs

### [2] Basic Policy

- Accelerate global growth strategy of recurring businesses<sup>\*12</sup>
- Strengthen business to IoT market: Expand product and service businesses
- Resource concentration and strategic investment in growing businesses

## (2) Growth Strategy for Priority Businesses

Accelerating global expansion of priority businesses: Accelerating growth by combining organic growth and alliances

Intensive investment in recurring business (air compressors / marking system)

### [1] Air Compressor Business

- Entering the North American market through the acquisition of Sullair
- Developing product-led industrial digital solution business in North America

## [2] Marking System Business

- Expanding business domain and accelerating global growth strategy
- Establishing total marking business (laser markers, testing equipment, etc.)

## [3] Stepping up IoT Market

- Product: Creating value for customers by integrating OT x IT
- Service: Expanding into maintenance services and operational support

## (3) Strengthening Cash Generation Capabilities and Cost Strategy

### [1] SG&A

- Mass production: Improve productivity per person, reduce fixed costs
- Build-to-order production: Reduce fixed cost, strengthen project management system

### [2] Gross profit

- Reduce direct material costs
- Strengthen global procurement capabilities
- Cost planning management at the time of development of new product

### [3] Cash creation

- Mass production: Improving CCC through business process reform, creating synergy with Sullair
- Build-to-order production: Thorough management of project profit & loss (promoting cash flow monitoring)

Notes: \*12 Business with after-sales and reliable replacement market, such as replacement parts market

## 2. Industry & Distribution Business

[Billions of yen]

BU / Business	FY2016 Result		FY2017 Forecast		FY2018 Target	
	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio
		EBIT ratio		EBIT ratio		EBIT ratio
Industry & Distribution Business*13	628.9	(0.2)%	600.0	5.0%	666.0	Over 7.5%
		(0.6)%		3.8%		Over 7.4%
Industry & Distribution BU*14	376.2	-	-	-	-	-

Notes: \*13 Performance in the Industry & Distribution business includes the Industry & Distribution BU, as well as IT Systems business targeting the Industry & Distribution field as posted for the Information & Telecommunication Systems segment.

Notes: \*14 Figures reflecting the transfer of the plant construction business (Hitachi Plant Construction, Ltd.) (April 2017) from the Industry & Distribution BU to the Nuclear Energy BU

### (1) Direction

Provide Hitachi's unique services by utilizing its strengths from existing businesses and experience in customers' work site

## (2) Growth Strategy

### [1] Expansion of Digital Solutions Business

- Use Lumada to develop new customers and sectors and to establish new service business
- Shift human resources to digital solutions with integrated operation of IT and OT
- Accelerate global expansion of new solutions in industry & distribution business sectors

### [2] Global Expansion

- Asia:  
"industrial equipment + digital solution" business (Japanese / local companies, global major companies)  
Reinforce the cooperation with Hitachi Group local subsidiaries (Develop customers, Select delivery partners)
- North America:  
Entering digital solution business by using the customer base of Sullair, an air compressor manufacturer in North America that Hitachi will acquire

### (3) Cost Strategy and Strengthening of Cash Generation

Evolution of the Hitachi Smart Transformation and benefitting from the effects of integration into business units

#### [1] SG&A

- Reinforce the frontline to expand the digital solutions business
- Improving business efficiency by setting pipeline management of total value chain

#### [2] Gross profit

- Improving projects and reducing loss cost through phase gate operation
- Expanding the digital solution business to add value and achieve horizontal application

#### [3] Cash creation

- Strengthening the management of cash flow in major domestic and overseas projects
- Promoting payment and liquidating receivables through contract splitting, advance receipt, and other means

## 3. Automotive Systems Business

[Billions of yen]

Business	FY2016 Result		FY2017 Forecast		FY2018 Target	
	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio
		EBIT ratio		EBIT ratio		EBIT ratio
Automotive Systems Business	992.2	5.7%	1,000.0	6.2%	1,100.0	7.0%
		6.6%		6.1%		6.9%

**(1) Business Concept**

Meet the needs of society with an Advanced Vehicle Control System that integrates social infrastructure and services with vehicle environment, safety and information technologies

**(2) Growth Strategy**

- In the two major markets (China and the U.S.), strengthen focus on expanding sales to automakers with large market shares in electric and autonomous vehicles, and who already hold Hitachi in high regard
- Customers which continue to use or have decided to start using Hitachi electric-drive and autonomous driving related products are increasing
- Solidify core business and use system integration of electronic products as basis for increasing edge in technologies for megatrends in cooperation with Hitachi Group companies
- Collaborative Solutions Provided by Hitachi Group: The Hitachi Group companies have the linkages to connect people, cars and communities
- Expand business in EV and autonomous driving system markets worldwide
- Utilize Hitachi Group's R&D assets and open innovation on a global scale
- Utilize the IoT platform Lumada to promote manufacturing innovation through the establishment of digital production lines in five global regions

**(3) Cost Structure Reform and Cash Generation**

**[1] Cost structure reform**

- Strengthen manufacturing and quality assurance capabilities through utilization of IoT
- Strengthen investment management and improve asset efficiency

**[2] Cash generation**

- Expand proposals of products and systems in response to megatrends
- Strengthen cooperation between Hitachi Group companies

**(4) FY2020 Targets**

Enhance the potential growth aiming for growth rate significantly higher than market growth rate: revenues of 1.3 trillion yen

**4. Building Systems BU**

[Billions of yen]

BU	FY2016 Result		FY2017 Forecast		FY2018 Target*15	
	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio
		EBIT ratio		EBIT ratio		EBIT ratio
Building Systems BU	585.8	9.8%	595.0	10.0%	650.0	11.0%
		10.0%		10.1%		11.1%

Notes: \*15 Forecasts for FY2018: Revenues: 620.0 billion yen; Adjusted operating income ratio: 11.0%; EBIT ratio: 11.0%

## **(1) Management Strategy**

### **[1] Basic Policy**

- Provide Comfortable Smart Mobility Service (Expand Social innovation business)
- Develop the world's latest "HUMAN FRIENDLY" products & services (Caring and comforting customers)
- Promote service business based on "Fiduciary Duty" (Services to meet customers' needs)

### **[2] Management Strategy**

- Smart management reform (Compete and grow in global market)
- Global transformation (Structure reform through reallocating management resources globally)
- Digital transformation (Utilizing IoT and AI technologies toward Industry 4.0)

## **(2) Business Strategy**

### **[1] Entered Market Business Strategy**

- Matured market [Target increase in revenues by FY2021: 50 billion yen]: Take over No.1 new installation share, Expand Service Business
- Growing Market [Target increase in revenues by FY2021: 20 billion yen]: Extend footprint further, Increase new installation share

### **[2] New market business strategy (Focused Investment for FY2021) [Target increase in revenues: Not yet decided(More than 100 billion yen)]**

- Expand new basis and create businesses for FY2021

### **[3] Growth Strategy for Renewal Business**

- Create global renewal business utilizing business know-how accumulated in Japan

### **[4] Growth Strategy for Maintenance Business**

- Expand maintenance business corresponding footprint extension, improve profitability by increasing operational efficiency
- Sophisticate services and increase efficiency utilizing IoT and AI technologies

## **(3) Measures to improve cash generation and cost strategy**

### **[1] Common**

- Closure of low profit businesses with no key technologies

### **[2] SG&A**

- Reduce indirect material cost
- Improve operational efficiency through Work style innovation

### **[3] Gross Profit**

- Promote sales and cost reduction of global standard model
- Improve production efficiency through smart production reform
- Increase revenues from remote monitoring and maintenance utilizing IoT

### **[4] Cash generation**

- Promote collection of account receivable and advance receipt
- Strengthen expense management, reduce inventory
- Select investment plan strictly and secure investment return

## 5. Railway Systems BU

[Billions of yen]

BU	FY2016 Result		FY2017 Forecast		FY2018 Target*16	
	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio
		EBIT ratio		EBIT ratio		EBIT ratio
Railway Systems BU	497.9	4.2%	540.0	5.6%	640.0	8.0%
		2.9%		4.5%		7.0%

Notes: \*16 Forecasts for FY2018: Revenues: 615.0 billion yen; Adjusted operating income ratio: 7.0%; EBIT ratio: 6.0%

### (1) Growth Strategy

#### [1] Strengthen Core Offering

- High quality manufacturing will remain core to our business and we will invest in expanding and improving our platforms

#### [2] Grow Rolling Stock Maintenance

- Further grow our rolling stock maintenance business. Reducing total cost of ownership of our customers will differentiate us

#### [3] Focus on IoT and Digital

- IoT and digital services will enhance our core products and present customers with a truly unique rail offering

#### [4] Provider of end-to-end solutions

- Transition to a provider of end-to-end solutions, supported by market-leading technology from across the Hitachi Group

#### [5] Innovation Leader

- Be an innovation leader in the rail industry, fully utilising the wider Hitachi Group's technology capabilities

### (2) Continuing our business transformation

#### [1] Project focused operating model

- Transform operating model from legal entity model to fully integrated project focus model

#### [2] Engineering capability

- Further integrate and strengthen our key capabilities of design engineering, systems engineering and project management across the business

#### [3] Stronger central functions

- Centralise our support functions to promote best practice and reduce costs

#### [4] Production capacity

- Optimise our production capacity by investing in our people and equipment to maximise efficiency Improve our design and production processes in order to eliminate waste

#### [5] 'Make or Buy' strategy

- Refresh 'Make or Buy' strategy to reflect our search for opportunities to scale the business



## 6. Power and Energy Business

[Billions of yen]

BU / Business	FY2016 Result		FY2017 Forecast		FY2018 Target	
	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio
		EBIT ratio		EBIT ratio		EBIT ratio
Power and Energy Business <sup>*17</sup>	495.7	1.8% (11.5)%	490.0	3.5% 5.9%	590.0	7.5% 12.7%
Nuclear Energy BU <sup>*14</sup>	192.2	-	196.0	-	200.0	-
Power BU	276.9	-	267.0	-	320.0	-
Energy Solutions BU <sup>*17</sup>	78.2	-	74.0	-	110.0	-

Notes: \*17 Performance in Energy Solutions BU includes IT Systems business for the power systems and energy fields, as posted in the Information & Telecommunication Systems segment, but the IT Systems business is not included into the Power and Energy businesses.

### 6.1 Power and Energy Business

#### (1) Strengthen Cost Strategy and Cash Generation

Further implement the Hitachi Smart Transformation Project to achieve the ideal cost structure

##### [1] SG&A

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

##### [2] Gross Profit

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

##### [3] 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

#### (2) Status of Power Business and Energy Solutions Business

##### [1] Power Business Unit FY2016 Results

- Expansion of renewable energy business, improvement of transmission and distribution systems business, expansion of service business

##### [2] Energy Solutions Business Unit FY2016 Results

- Domestic business: electricity system reforms, expansion of transregional power exchange, diversification of demand needs
- Overseas business: changes in power business due to decentralization, digitization and electrification, greater use of renewable energy sources in power systems, Strengthening of front-line engineering function

## 6.2 Nuclear Energy Business Strategy

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

### (1) Domestic Business: Core 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

### (2) Overseas Business: Growing Business

Make steady progress with the UK's Horizon Project

- Make good progress with the project and enhance business value
- Minimize risks by building the strongest partnerships

### (3) Strengthen cooperation with GE Hitachi Nuclear Energy for more effective synergies

- Expansion of joint projects with GE Hitachi Nuclear Energy
- Strengthen cooperation for more effective synergies

## 7. Financial Institutions BU, and

### Government, Public Corporation & Social Infrastructure BU

[Billions of yen]

BU	FY2016 Result		FY2016 Forecast		FY2018 Target	
	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio	Revenues	Adjusted operating income ratio
		EBIT ratio		EBIT ratio		EBIT ratio
Financial Institutions BU <sup>*18</sup>	447.4	-	470.0	-	510.0	-
Government, Public Corporation & Social Infrastructure BU <sup>*19</sup>	327.8	-	335.0	-	350.0	-

Notes: \*18 Figures including business performance for Hitachi-Omron Terminal Solutions, Corp. (From April 2017, Hitachi-Omron Terminal Solutions, Corp. is classified into the Financial Institutions BU.)

\*19 Figures reflecting the transfer of SI, software, and hardware sales and related service business targeting the Social Infrastructure field (April 2017)

## 7.1 Financial Institutions BU

### (1) Basic Policy

Expand digital solutions and global fields positioning systems integration business as a base

### (2) Business Strategy

#### [1] Base Business: Systems Integration Business in Japan

- Ensure to obtain large-scale systems integration projects
- Improve productivity and profitability of application development
- Expand the solution / services business that meets new market needs

**[2] Growth Business: Digital Solutions Business (FinTech-related services, etc.)**

- Promote new services and collaborative business that contribute to customer business growth
- Utilize the IoT Platform Lumada (such as block chain and integrated certification platform)

**[3] Growth Business: Global Business**

- Create financial services and new solutions through collaboration with Japanese financial institutions
- Expand new payment service businesses that meets the needs of various countries by making use of the business and customer bases that have been accumulated in the ATM business

**7.2 Government, Public Corporation & Social Infrastructure BU**

**(1) Basic Policy**

Expand the digital solutions businesses including IoT, positioning systems integration business as a base

**(2) Business Strategy**

**[1] Base Business: Systems Integration Business in Japan**

Continuously promote steady accepting orders and operations of large-scale systems which support Japanese social system and infrastructure, and through increase in productivity and efficiency

- Accepting orders and operation for mission critical business systems
- Transition of existing systems into open systems and cloud-based systems
- Thoroughly improve the efficiency of system development and maintenance

**[2] Growth Business: Sophistication of Social Infrastructure**

**- Contribute to the realization of Society 5.0, a super smart society**

- Create front-led digital solutions through collaborations with customers
- Embody services using OT x IT and Lumada as the fundamental technologies

■ Supplementary Information

1. Targets for the 2018 Mid-term Management Plan by Fields, BUs and Businesses

[Billions of yen]

Field, BU / Business	FY2016 Result		FY2017 Forecast <sup>*1, *2</sup>		FY2018 Target <sup>*1, *2</sup>	
	Revenues	Adjusted operating income ratio / EBIT ratio	Revenues	Adjusted operating income ratio / EBIT ratio	Revenues	Adjusted operating income ratio / EBIT ratio
Front	3,521.3	-	-	-	4,000.0	8.0% / -
Power / Energy Field Total <sup>*17</sup>	495.7	1.8% / (11.5%)	490.0	3.5% / 5.9%	590.0	7.5% / 12.7%
Nuclear Energy BU <sup>*14</sup>	192.2	-	196.0	-	200.0	-
Power BU	276.9	-	267.0	-	320.0	-
Energy Solutions BU <sup>*17</sup>	78.2	-	74.0	-	110.0	-
Industry / Distribution / Water Field Total	703.0	-	-	-	770.0	-
Industry & Distribution Business <sup>*13</sup>	628.9	(0.2%) / (0.6%)	600.0	5.0% / 3.8%	666.0	Over 7.5% / Over 7.4%
Industry & Distribution BU <sup>*14</sup>	376.2	-	-	-	-	-
Water Business	129.8	-	-	-	150.0	-
Water BU <sup>*20</sup>	75.5	3.3% / 4.5%	78.0	5.9% / 6.7%	90.0	8.0% / 8.5%
Urban Field Total	1,083.8	-	-	-	1,320.0	-
Building Systems BU <sup>*15</sup>	585.8	9.8% / 10.0%	595.0	10.0% / 10.1%	650.0	11.0% / 11.1%
Railway Systems BU <sup>*16</sup>	497.9	4.2% / 2.9%	540.0	5.6% / 4.5%	640.0	8.0% / 7.0%
Finance / Public / Healthcare Field Total	1,238.6	-	-	-	1,460.0	-
Financial Institutions BU <sup>*18</sup>	447.7	-	470.0	-	510.0	-
Government, Public Corporation & Social Infrastructure BU <sup>*19</sup>	327.8	-	335.0	-	350.0	-
Healthcare Business <sup>*21</sup>	316.9	9.7% / 7.5%	324.0	9.8% / 8.9%	400.0	10.0% / 10.0%
Healthcare BU	175.2	-	-	-	-	-
Products & Platform	6,714.5	-	-	-	7,160.0	8.0% / -
Services & Platforms BU <sup>*22</sup>	825.5	3.1% / (2.5%)	800.0	5.7% / 2.6%	830.0	8.1% / 8.7%
Industrial Products BU <sup>*10, *11</sup>	344.4	4.6% / 2.5%	360.0	5.4% / 4.7%	400.0	8.0% / 7.2%
Automotive Systems	992.2	5.7% / 6.6%	1,000.0	6.2% / 6.1%	1,100.0	7.0% / 6.9%

Notes: \*20 Performance for the water business includes the Water BU and pump business targeting the water field in the Industrial Products BU.

\*21 Figures excluding business related to Hitachi Data Systems Corp, as a result of a change in category

\*22 Figures reflecting the integration of the Information & Telecommunication Systems segment with the IT Platforms & Products division

## 2. Growth Strategy (1) Global Business Expansion (Overseas Revenues Ratio)

BU / Business	FY2016 Result	FY2017 Forecast	FY2018 Target
Power and Energy Business <sup>*17</sup>	9%	10%	17%
Industry & Distribution Business <sup>*13</sup>	12%	11%	12%
Water BU <sup>*20</sup>	9%	20%	27%
Building Systems BU	54%	56%	57% <sup>*24</sup>
Railway Systems BU	83%	87%	84% <sup>*24</sup>
Financial Institutions BU <sup>*18</sup>	13%	19%	23%
Government, Public Corporation & Social Infrastructure BU <sup>*19</sup>	0%	1%	1%
Healthcare Business <sup>*21</sup>	62%	64%	69%
Industrial Products BU <sup>*10</sup>	25%	26%	32% <sup>*24</sup>
Automotive Systems Business <sup>*23</sup>	60%	60%	60%

Notes: \*23 Overseas revenue ratio for global customer bases

\*24 Forecast figures

## 3. Growth Strategy (2) Strengthening Capability to Generate Cash (CCC<sup>\*5,7</sup>) [Days]

BU / Business	FY2016 Result	FY2017 Forecast	FY2018 Target
Power and Energy Business <sup>*17</sup>	82.0	81.0	75.0
Industry & Distribution Business <sup>*13,25</sup>	61.1	69.5	65.0
Water BU <sup>*20</sup>	13.8	34.0	30.0
Building Systems BU	38.6	45.7	45.0 <sup>*24</sup>
Railway Systems BU	139.4	80.0	56.0 <sup>*24</sup>
Financial Institutions BU <sup>*18</sup>	-	-	-
Government, Public Corporation & Social Infrastructure BU <sup>*19</sup>	-	-	-
Healthcare Business	137.4	109.8	89.0
Industrial Products BU <sup>*10</sup>	107.5	97.2	95.7 <sup>*24</sup>
Automotive Systems Business	40.5	40.7	40.6

Notes: \*25 Figures for FY2017 and FY 2018 except major construction project in the middle east

### **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;
- 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;
- 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 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 ability to attract and retain skilled personnel;
- uncertainty as to Hitachi's access to, or ability to protect, certain intellectual property rights;
- 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.

### **About Hitachi, Ltd.**

Hitachi, Ltd. (TSE: 6501), headquartered in Tokyo, Japan, delivers innovations that answer society's challenges. The company's consolidated revenues for fiscal 2016 (ended March 31, 2017) totaled 9,162.2 billion yen (\$81.8 billion). The Hitachi Group is a global leader in the Social Innovation Business, and it has approximately 304,000 employees worldwide. Through collaborative creation, Hitachi is providing solutions to customers in a broad range of sectors, including Power / Energy, Industry / Distribution / Water, Urban Development, and Finance / Government & Public / Healthcare. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

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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.

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