

Hitachi Integrated Report 2016

Year ended March 31, 2016





**THE FUTURE IS OPEN
TO SUGGESTIONS**

Hitachi Social Innovation

Contents

2	Hitachi's History of Transformation (From Fiscal 2006)	50	About Us
4	To Our Shareholders	52	Segment Information
6	Our Strategy	54	Financial & Non-Financial Highlights
7	Results of the 2015 Mid-term Management Plan	56	10-Year Financial Data
8	Outline of the 2018 Mid-term Management Plan	58	Operating and Financial Review
12	Interview with the President & CEO	64	Consolidated Statements of Financial Position
18	Our Value Creation	66	Consolidated Statements of Profit or Loss
19	Creating Value for Society Through Railways	67	Consolidated Statements of Comprehensive Income
23	Hitachi's AI Opening a New Era	68	Consolidated Statements of Changes in Equity
26	Board of Directors	69	Consolidated Statements of Cash Flows
28	Executive Officers	70	Summarized Consolidated Statements of Financial Position by Manufacturing, Services and Others and Financial Services
29	Our ESG Approach	71	Summarized Consolidated Statements of Profit or Loss by Manufacturing, Services and Others and Financial Services / Summarized Consolidated Statements of Cash Flows by Manufacturing, Services and Others and Financial Services
30	Message from Outside Directors	72	Corporate Data / Stock Information
32	Corporate Governance		
38	Risk Management		
40	Compliance		
42	Achieving a Fair and Equitable Work Environment / A Strategy for Growing Together with Our Global Human Capital		
44	Promoting Diversity and Inclusion		
45	Promoting Occupational Health and Safety		
46	Respect for Human Rights Throughout the Value Chain		
47	Engaging in Responsible Procurement		
48	Helping Resolve Environmental Issues Toward 2050		

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.

Hitachi's History of Transformation (From Fiscal 2006)

Targeting the achievement of the goals outlined in the 2018 Mid-term Management Plan as well as further growth in the years ahead, Hitachi will work to accelerate its transformation into a company that is a leader in global markets and strive to increase corporate value.

Transformation of Business Portfolio

Fiscal 2006 – Fiscal 2009

Strengthening Initiatives

- Made Clarion a consolidated subsidiary
- Established joint venture with GE in nuclear power generation systems business
- Made Hitachi Kokusai Electric a consolidated subsidiary
- Made Hitachi Koki a consolidated subsidiary
- Made five listed companies* wholly owned consolidated subsidiaries

* Hitachi Information Systems, Hitachi Software Engineering, Hitachi Systems & Services, Hitachi Plant Technologies, and Hitachi Maxell

Advancing Partnerships / Rebuilding Initiatives

- Sold precision small motor business to Nidec Corporation
- Withdrew from consumer PC business
- Transferred semiconductor manufacturing subsidiary in Singapore to a semiconductor foundry

Fiscal 2010 – Fiscal 2012: 2012 Mid-term Management Plan

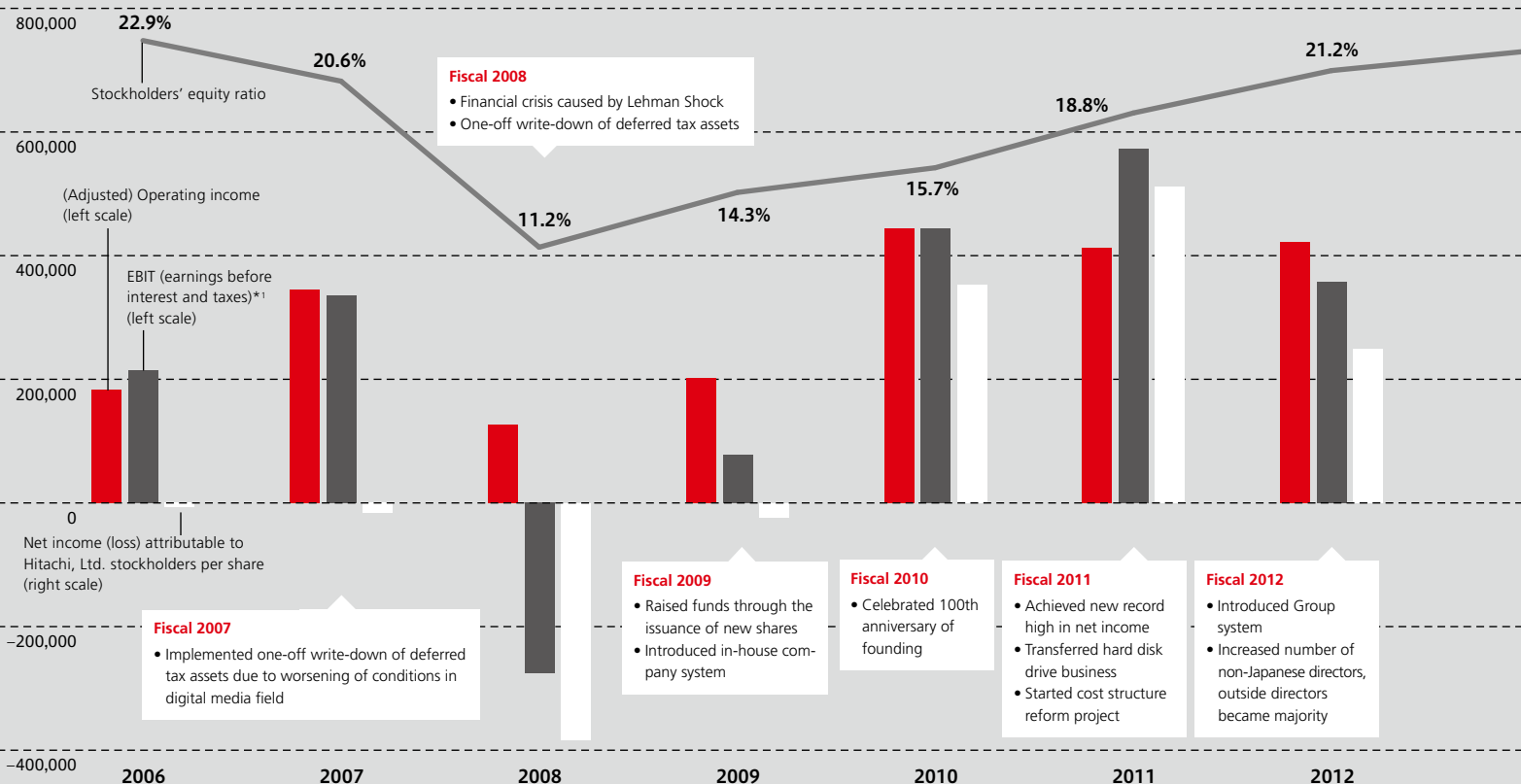
Strengthening Initiatives

- Acquired BlueArc, a network storage solution business in the United States
- Acquired a nuclear energy company in the United Kingdom

Advancing Partnerships / Rebuilding Initiatives

- Transferred plasma display panel plant to Solar Frontier K.K.
- Integrated Renesas Technology, an equity method company in the semiconductor business, with NEC Electronics Corporation
- Transferred business in large LCD panels for TVs to Panasonic Corporation
- Casio Hitachi Mobile Communications, an equity method company in the mobile phone business, integrated mobile phone operations with NEC Corporation
- Established joint venture in the hydroelectric power generation systems business with Mitsubishi Electric Corporation and Mitsubishi Heavy Industries, Ltd.
- Transferred hard disk drive business to Western Digital Corporation
- Integrated small and medium-sized LCD business with Japan Display Inc.
- Stopped in-house production of flat-panel TVs

(Millions of yen)



*1 EBIT is presented as income before income taxes less interest income plus interest charges.

*2 Manufacturing, Services and Others

Note: Figures are U.S. GAAP, IFRS was introduced from fiscal 2014.

Fiscal 2013 – Fiscal 2015: 2015 Mid-term Management Plan

Fiscal 2016 – Fiscal 2018: 2018 Mid-term Management Plan

Strengthening Initiatives

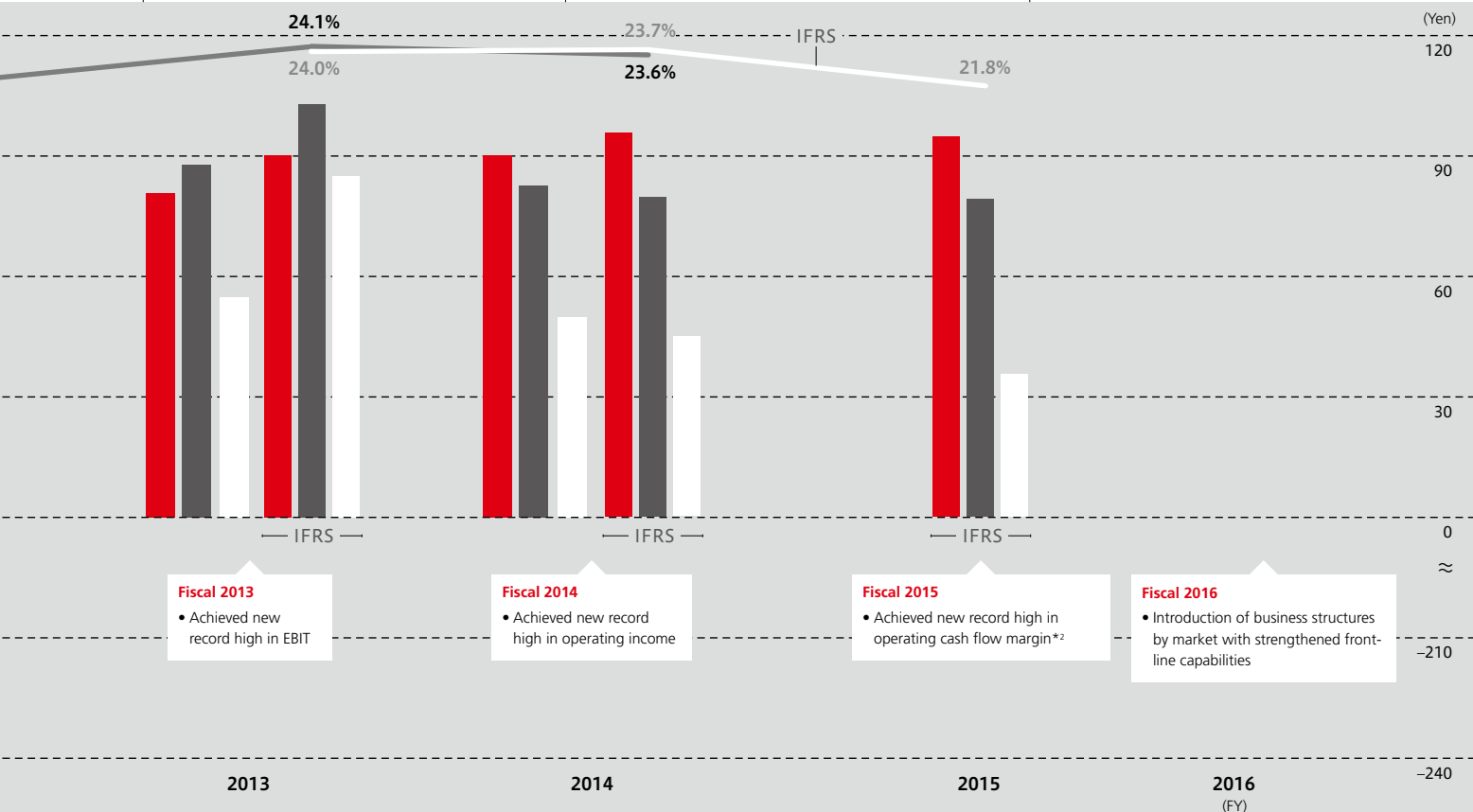
- Absorbed Hitachi Plant Technologies
- Hitachi Metals and Hitachi Cable were merged
- Made Hitachi Medical a wholly owned subsidiary
- Acquired Prizm Payment Services, a provider of payment services to financial institutions in India
- Built a strategic partnership with ABB in the high-voltage direct current power transmission business in Japan
- Hitachi Data Systems acquired Pentaho Corporation, a big-data analytics software company in the United States
- Acquired the signaling and rolling stock operations of Finmeccanica S.p.A.

Advancing Partnerships / Rebuilding Initiatives

- Transferred printed circuit board production equipment business to an investment fund
- Established joint venture with Mitsubishi Heavy Industries, Ltd. in thermal power generation systems business
- Relisted Hitachi Maxell shares
- Discontinued production of semiconductors for information & telecommunications equipment
- Established a joint venture with Johnson Controls, Inc. in the air-conditioning systems business

Advancing Partnerships / Rebuilding Initiatives

- Transfer of a portion of stockholding in Hitachi Transport System to SG Holdings
- Agreement to transfer a portion of stockholding in Hitachi Capital to Mitsubishi UFJ Financial Group and Mitsubishi UFJ Lease & Finance



To Our Shareholders



Toshiaki Higashihara
President & CEO

In fiscal 2015, the final year of the 2015 Mid-term Management Plan, Hitachi recorded revenues of ¥10,034.3 billion (3% up YoY), adjusted operating income of ¥634.8 billion (1% down YoY), EBIT (earnings before interest and taxes) of ¥531.0 billion (1%, down YoY), and net income attributable to Hitachi, Ltd. stockholders of ¥172.1 billion (21% down YoY).

During the 2015 Mid-term Management Plan, Hitachi achieved a stable adjusted operating income ratio above 6% and recorded steady improvement in its earning power. In addition, we have been increasing our cash-generating capability through the Hitachi Smart Transformation Project. Hitachi continues to concentrate investments in the Social Innovation Business, and has acquired businesses with annual sales of ¥600.0 billion to strengthen its position in key focus areas. In addition, we reorganized our portfolio by deconsolidating businesses with annual sales of ¥900.0 billion. With these measures, we aggressively restructured our business portfolio and further increased our earning power, while also creating a pathway for future growth.

Today, global competition is intensifying. Moreover, the trends toward the Internet of Things (IoT) and digitalization are starting to generate significant changes, not only in the way businesses operate but also in the way people live.

Anticipating these changes and aiming to become “An Innovation Partner for the IoT Era,” we formulated the 2018 Mid-term Management Plan in May 2016. With the focused business domains of Power / Energy; Industry / Distribution / Water; Urban; and Finance / Public / Healthcare, Hitachi will expand its global business by developing an advanced Social Innovation Business utilizing digital technologies.

Accordingly, beginning this fiscal year, we launched a market-driven business structure comprised of three layers. The layers include the *front*, which consists of primarily the 12 business units that work to develop and provide services close to customers; the *platform*, which enables the Company to provide services quickly and efficiently; and the *products*, which are



globally competitive. Lumada, our newly built IoT platform, is an open, highly flexible common platform that incorporates the artificial intelligence (AI), analytics, and operational technology that are indispensable in service development. With Lumada, Hitachi is accelerating collaborative creation with its customers. Under the new Hitachi business structure, our front will draw upon the products and platform to drive innovation and deliver new value to society.

In fiscal 2018, we will strive to achieve revenues of ¥10,000.0 billion, adjusted operating income and EBIT ratios of more than 8% each, and net income attributable to Hitachi, Ltd. stockholders of more than ¥400.0 billion through these initiatives. These are milestones for Hitachi's global growth and the minimum targets we must achieve.

Through the advanced Social Innovation Business, which utilizes digital technologies, Hitachi will accelerate collaborative

creation with its customers and contribute to enhancing the quality of life for people. We also aim to achieve sustainable growth. We would like to ask for your continued support and understanding in the years ahead.

August 2016
President & CEO

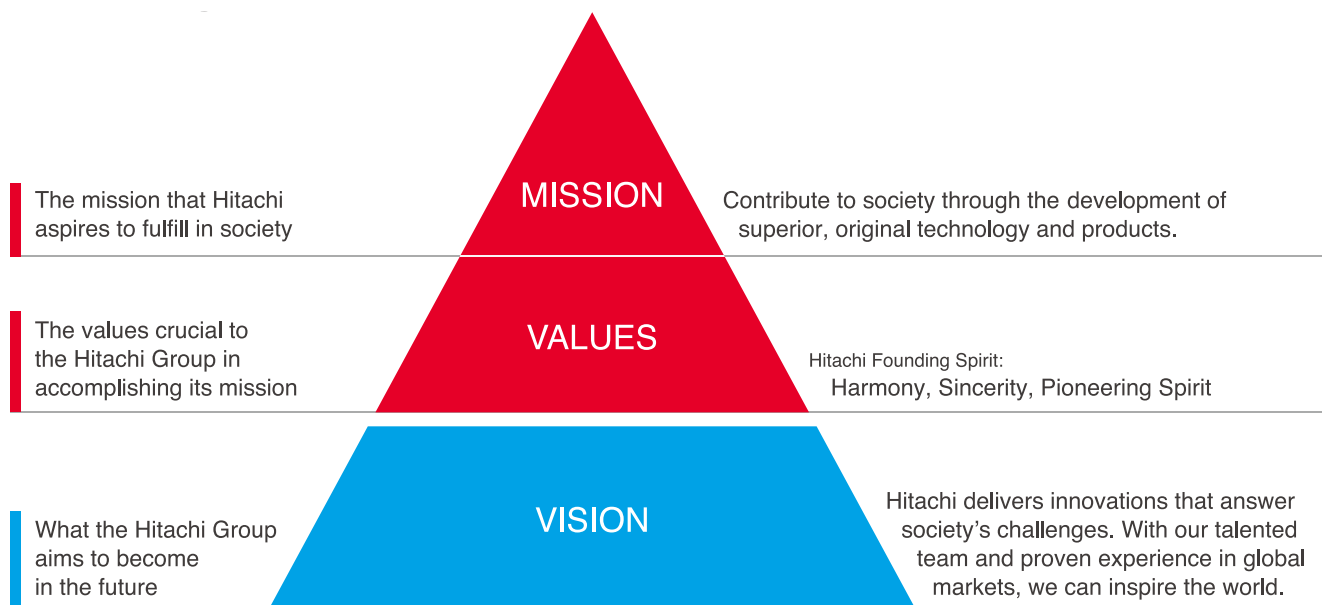
T. Higashihara

Our Strategy

Throughout its 100 year history, the Hitachi Group has passed on its Mission and its Values to generations of employees and external stakeholders.

The Vision has been created based on the Mission and the Values.

It is an expression of what the Hitachi Group aims to become in the future.



Results of the 2015 Mid-term Management Plan

Achieving Growth and Hitachi's Transformation



INNOVATION

Strengthen service businesses that maximize the utilization of IT and bring about innovation



GLOBAL

Deliver innovation to customers and society globally



TRANSFORMATION

Transform to deliver innovation by standardized and speedy operation

Results of the 2015 Mid-term Management Plan

	FY2012 (US GAAP)	FY2013 (IFRS)	FY2014 (IFRS)	Billions of yen	
				FY2015 (IFRS)	Initial Target*1 (US GAAP)
Revenues	9,041.0	9,666.4	9,774.9	10,034.3	10,000.0
(ratio)	(4.7%)	(6.3%)	(6.6%)	(6.3%)	Over 7%
Adjusted operating income**2	422.0	604.7	641.3	634.8	Over 7%
(ratio)	(4.0%)	(7.2%)	(5.5%)	(5.3%)	Over 7%
EBIT**3	358.0	691.2	534.0	531.0	Over 7%
Net income attributable to Hitachi, Ltd. stockholders	175.3	413.8	217.4	172.1	Over 350.0
(margin)	(5.7%)	(4.8%)	(6.1%)	(8.6%)	—
Net cash provided by operating activities (Manufacturing, Services and Others)	503.4	460.8	586.4	843.1	—
Free cash flows (Manufacturing, Services and Others)	25.0	73.1	137.2	324.4	—

*1 Announced on May 16, 2013

*2 Adjusted operating income = Revenues – Cost of sales – Selling, general and administrative expenses

*3 EBIT (Earnings before interest and taxes) is presented as income from continuing operations, before income taxes less interest income plus interest charges.

Principal Achievements and Future Challenges

Achievements

- Improved profitability
- Strengthened cash-generating capability
 - Improved cash conversion cycle (Manufacturing, Services and Others)
81.8 days (as of March 31, 2015) ⇒ 71.6 days (as of March 31, 2016)
- Implemented growth strategies
 - Ratio of overseas revenues: FY2012 41% ⇒ FY2015 48%
 - Ratio of service revenues: FY2012 30% ⇒ FY2015 38%
- Executed reform of the business portfolio

	FY2013-FY2015	As of May 2016
M&As	Sales increase: 600.0 billion yen per year - Acquired Pentaho Corporation, Ansaldo STS S.p.A., AnsaldoBreda S.p.A., Waupaca Foundry Holdings, Inc., etc.	—
Reorganization	Sales decrease: 900.0 billion yen per year - Established joint ventures in the thermal power generation systems business and the air-conditioning systems business and relisted Hitachi Maxell, Ltd.	Sales decrease: 1.1 trillion yen per year - Logistics, financial services, etc.

Challenges

- Speedy response to changes in market environment and thorough project management
- Accelerating business portfolio reform

Outline of the 2018 Mid-term Management Plan

Under the 2018 Mid-term Management Plan, Hitachi will accelerate collaborative creation with customers and partners through the advanced Social Innovation Business, with a focus on the trend toward digitalization that is significantly changing society and industry. Leveraging three strengths—operational technology, IT, and products/systems—we deliver innovations to society and customers.

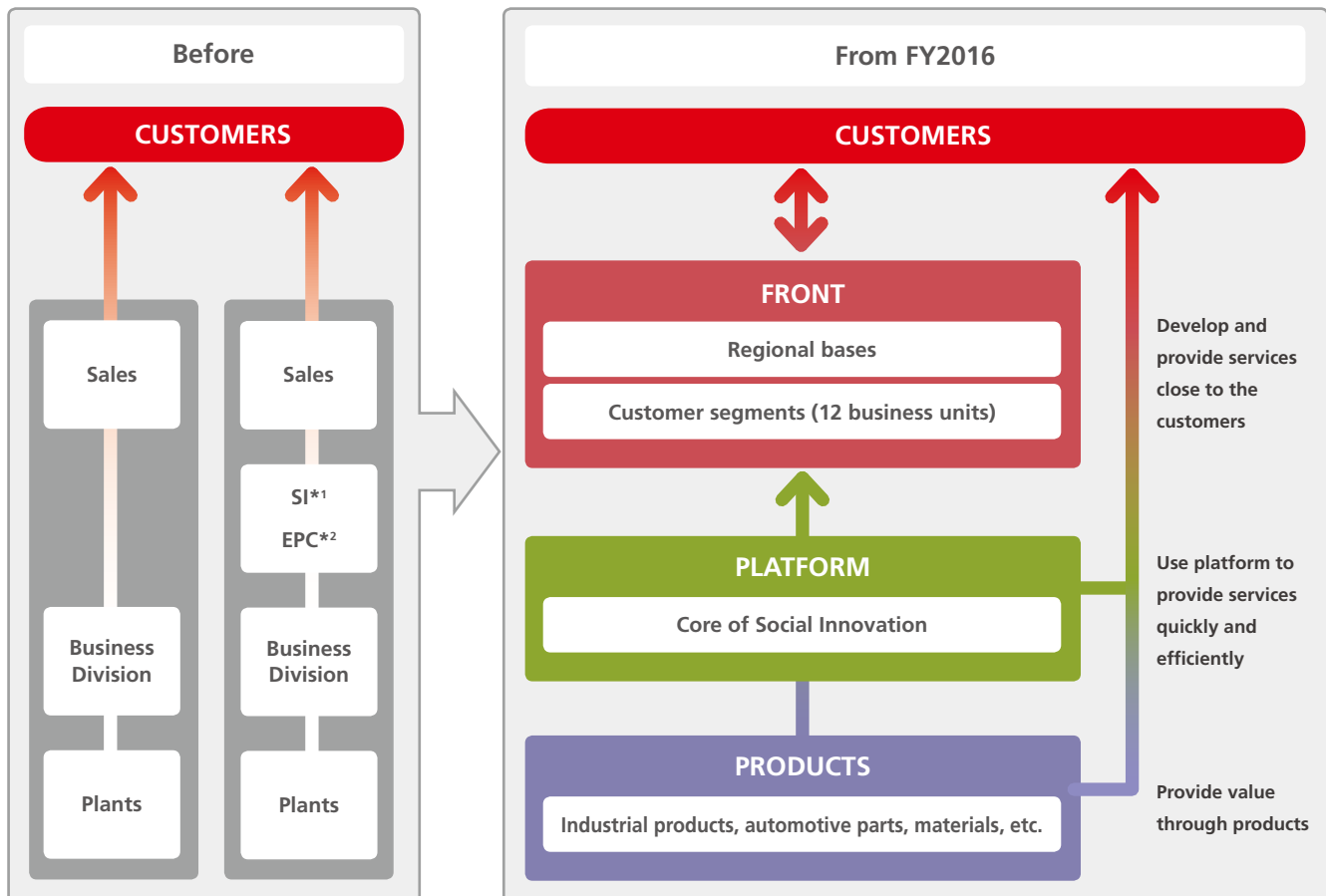
Hitachi in 2018

An Innovation Partner for the IoT Era



Accelerating the Social Innovation Business

The front delivers Hitachi's technologies and expertise to customers as services



*1 SI: System Integration
*2 EPC: Engineering, Procurement and Construction

Strengthening the Front and the R&D That Supports It

The front delivers Hitachi's technologies and expertise to customers as services

Increase front workforce by 20,000

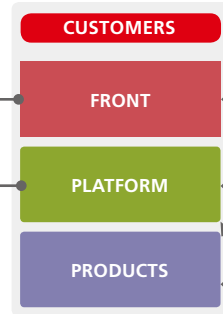
110,000 (FY2015) ▶ 130,000 (FY2018)

Including an increase of 2,000 in platform staff
(component ratio: 34% → 37%)

Japan: **+3,000**
Overseas: **+17,000** Internal shift & new recruits

* Number of sales, SE, consultants and platform developers

- Expand overseas hiring
- Roll out the Social Innovation Business, targeting the customers of acquired overseas companies
- Foster workforce through special training programs
→ 19,000 employees in 3 years (started March 2016)

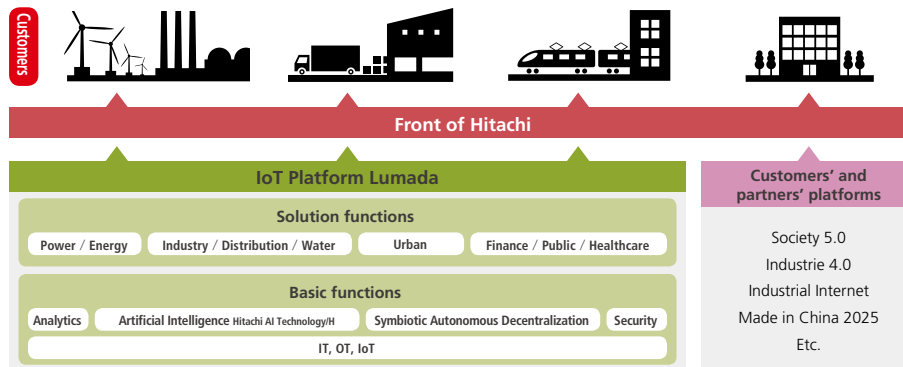


R&D structure

- **Global Center for Social Innovation**
Developing services in keeping with the needs of customers in each region
North America: 100 Europe: 70 China: 115 Asia: 65 Japan: 200 (Total: 550 people)
- **Center for Technology Innovation**
Establishing global No.1 technologies (Japan: 2,050 people)
- **Center for Exploratory Research**
Resolving future social issues (Japan: 100 people)

Core of Social Innovation IoT Platform "Lumada"

Means for customers to enjoy digitalized innovation quickly and easily



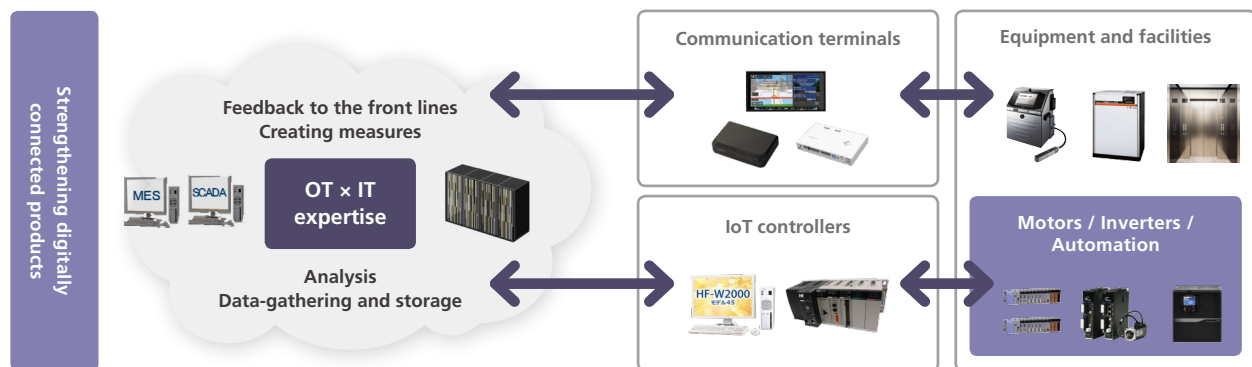
Characteristics of Lumada

Lumada = illuminate data

- 1 Single Platform, Multiple Solutions**
Realize solutions in various business fields "Cross Domain Business Ecosystem"
- 2 Open**
Open architecture available for partners
- 3 Adaptable**
Easily connected to customers' assets
Graduated dilatation is possible (Symbiotic Autonomous Decentralization)
- 4 Verified and Secure**
Reliable technologies based on experiences in Social Innovation

Strengthening Products

Expanding digitalized products that support innovation / Focusing on investing in globally competitive products



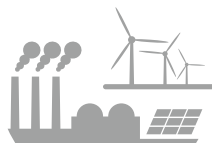
Outline of the 2018 Mid-term Management Plan

Moving Forward to 2018 (Key Initiatives)

- (1) Strengthening focused areas for expansion of the Social Innovation Business
- (2) Front develops and provides services to drive expansion of revenues and profits

FRONT

Revenues: FY2015 3,596.9 billion yen ▶ FY2018 4,000.0 billion yen
Adjusted operating income ratio: FY2015 5.6% ▶ FY2018 8.0%



Power / Energy

– Transition to distributed power supply utilizing IT

- Microgrid, regional energy management
- Renewable energy

Investment focus

- Strengthening grid and engineering



Industry / Distribution / Water

– Use “Lumada” IoT platform to optimize value chains for industry and distribution

Investment focus

- Strengthening engineering
- Predictive maintenance
- Optimized factory



Urban

– Improvement of quality of life in communities

– From rail as a service to outcome delivery

Investment focus

- Development of urban solutions
- Expansion of the rail business area



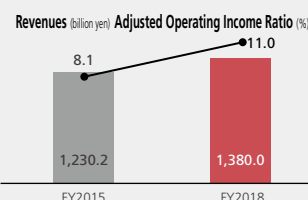
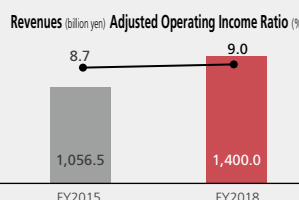
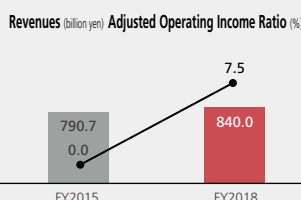
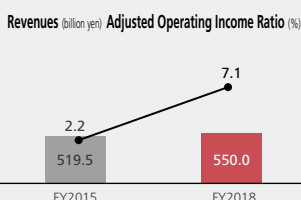
Finance / Public / Healthcare

– FinTech / My Number

– Healthcare service (platform)

Investment focus

- Strengthening healthcare informatics



PLATFORM

Investment focus: Strengthening Lumada
Revenues: FY2015 278.6 billion yen ▶ FY2018 330.0 billion yen
Adjusted operating income ratio: FY2015 8.4% ▶ FY2018 11.0%

PRODUCTS

Investment focus: Expanding industrial products and materials businesses
Revenues: FY2015 7,389.3 billion yen ▶ FY2018 6,820.0 billion yen*
Adjusted operating income ratio: FY2015 5.5% ▶ FY2018 7.0%

* Figures for FY2018 reflect the conversion of Hitachi Transport System, Ltd. and Hitachi Capital Corporation into equity-method associates and joint ventures.

(3) Accelerating the global rollout of the Social Innovation Business

Europe

- Railway
- Nuclear power
- Energy

FY2015 0.95 trillion yen → FY2018 1.15 trillion yen

CAGR 6.5% (10.2%)

China

- Elevators / Escalators
- Healthcare
- Industry / Distribution

FY2015 1.05 trillion yen → FY2018 1.10 trillion yen

CAGR 1.4% (3.1%)

Asia (except for China)

- Finance
- Industrial equipment

FY2015 1.05 trillion yen → FY2018 1.22 trillion yen

CAGR 4.9% (6.4%)

North America

- Energy
- Healthcare
- Automotive parts, casting

FY2015 1.28 trillion yen → FY2018 1.46 trillion yen

CAGR 4.5% (5.6%)

Overseas revenue ratio

FY2015 48% ▶▶▶ FY2018 Over 55%

*1 CAGRs (Compound annual growth rates) in brackets are based on figures for FY2015 excluding revenues of Hitachi Transport System, Ltd. and Hitachi Capital Corporation

*2 Regions except for those that are listed above (including Japan): FY2015 5.69 trillion yen → FY2018 5.07 trillion yen

Strengthening the Management Base

Management Acceleration for Growth and Profits

Reform Hitachi's management base

Speed up management	Rapid decision making and quick execution Reduce the layers of management
Expand global business	Expand global partners and customers
Increase business profitability	Judgment on low-profitability businesses Evolution of Hitachi Smart Transformation
Invest in growth businesses	Investments totaling 1 trillion yen over three years FY2013–FY2015: 510.9 billion yen

Strengthening Capability to Generate Cash

Evolution of Hitachi Smart Transformation

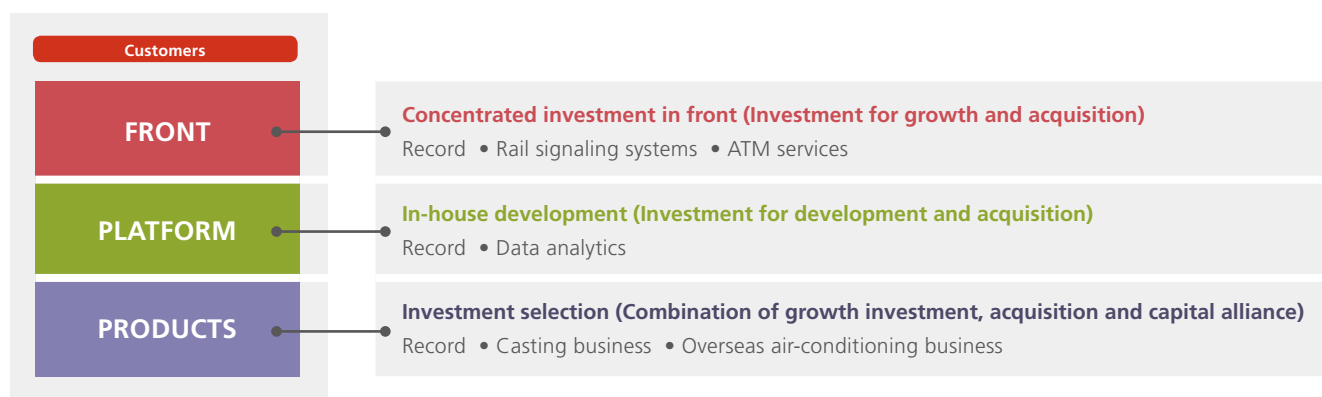
Re-examine cost structures	Design target costs and reduce procurement costs/ fixed costs Redefine cost-related KPIs on a revenue basis
Increase efficiency of operating capital	Use IT to reduce production lead times and decrease inventory
Increase efficiency of investments and assets	Share production facilities among plants

↑ ↑ ↑

Utilization of IoT Platform "Lumada" (AI, analytics and IoT)

Investment Policy

**Speedily increase profit through investment in products business
Concentrate investment in front to accelerate the Social Innovation Business**



2018 Mid-term Management Plan Targets

	FY2015	FY2018 Targets*
Revenues	10,034.3 billion yen	10,000.0 billion yen
Adjusted operating income ratio	6.3%	Over 8%
EBIT ratio	5.3%	Over 8%
Net income attributable to Hitachi, Ltd. stockholders	172.1 billion yen	Over 400.0 billion yen

* Foreign exchange rate assumption: 110 yen/dollar, 120 yen/euro

	FY2015	FY2018 Targets
Front business expansion	Front revenue ratio 36%	Front revenue ratio 40%
Global business expansion	Overseas revenue ratio 48%	Overseas revenue ratio Over 55%
Strengthening cash-generating capability	Operating cash flow margin*1 8.6%	Operating cash flow margin*1 Over 9%
Improving asset profitability	ROA*1,2 2.6%	ROA*1,2 Over 5%

*1 Manufacturing, Services and Others

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

Interview with the President & CEO



Toshiaki Higashihara
President & CEO

i Social Innovation



**Hitachi aims to further advance
the Social Innovation Business and become
“An Innovation Partner for the IoT Era.”**

HITACHI
re the Next

Interview with the President & CEO



How do you evaluate the 2015 Mid-term Management Plan?

Under the 2015 Mid-term Management Plan, we were able to achieve a certain degree of results. For example, we reached our target for revenues of ¥10,000 billion and significantly strengthened our cash-generating capability. Over the past three years, we recorded a stable adjusted operating income ratio at a 6% level and steadily improved our earnings. However, as with the EBIT ratio, we did not reach our target for a stable adjusted operating income ratio of more than 7%. This was primarily attributable to unprofitable projects in the overseas plant business, centered on the Middle East, and to our slow response to market changes in the telecommunications and storage businesses.

Despite slowing growth in China and in natural resource and oil-producing countries, it is likely we would have been able to achieve our targets if we had rigorously implemented project management and structural reforms. Moving forward, it will be my duty as CEO to carry out thorough measures to address these issues and place Hitachi on a stable growth track in the advanced Social Innovation Business, which will leverage the use of digital technologies.

Hitachi is aiming to be “An Innovation Partner for the IoT Era.” Would you describe the background and how to achieve this?

By leveraging IT and operational technology (OT), such as control and operation technology, Hitachi is rolling out the Social Innovation Business globally, where the Company provides advanced social infrastructure systems.

With IoT and digitalization making ongoing progress, people’s preferences and values are changing from products to outcomes, from owning to sharing, and from closed to open environments. Against the background of these changes, there are new developments in the business world. Companies need to transit from a “product-out” approach, where they supply the products that they have developed, to a “market-in” approach, where they work together with their customers to understand these customers’ issues in order to create solutions and new value.

Hitachi accurately anticipated this trend through the Social Innovation Business. Moving forward, we will maximize the leveraging of IT and OT as our strengths and lead the IoT Era through our advanced Social Innovation Business, which will draw on the latest digital technologies such as artificial intelligence (AI) and big data analytics. In this way, we will strive to contribute to improvements in people’s quality of life.

The key to these initiatives will be Lumada, the IoT platform that we launched in May 2016. We will collect larger amounts of data through the IoT, and Lumada offers a common platform for more rapidly converting this data into high-value digital solutions while promoting collaborative creation with a larger number of customers and partners. Distinctive features of Lumada include its ability to provide multiple solutions on a single platform and its open architecture, which means that Lumada can be connected to customer systems easily and extended in stages. Furthermore, Lumada utilizes secure, high-reliability technologies that have a proven track record in the Social Innovation Business.

In April 2016, we launched a new business structure that is more market-driven. Under this new structure, the front, which consists primarily of 12 business units, works to resolve customer issues and provides solutions in four focused business domains. The front will utilize Lumada to create a wide range of digital solutions, and by sharing use cases through Lumada, we will steadily develop our advanced Social Innovation Business on a global basis.

What is Hitachi’s approach to the optimal business portfolio?

In fiscal 2016, we will examine our low-profitability businesses and clarify which businesses we will reinforce and which we will dissolve. In addition, under the 2018 Mid-term Management Plan, we will focus on the Social Innovation Business, which will leverage the use of digital technologies toward the next growth stage. For example, through investments and M&A we will continue to build up businesses that have synergies with digital technologies such as AI and big data analytics that can generate

added value. On the other hand, in businesses that require a certain operational scale in global markets, we will move forward with business restructuring initiatives, including partnerships with other companies. Our transfers of portions of our shares in Hitachi Transport System and Hitachi Capital were examples of this approach. Going forward, we will continue to accelerate reform of the business portfolio as we work to strengthen the Social Innovation Business.

Interview with the President & CEO

Please explain the positioning of the 2018 Mid-term Management Plan and its targets.

The 2018 Mid-term Management Plan is positioned as a milestone for Hitachi's move up to the next stage, and on that basis we will implement management strategies with a focus on cash and profits. The plan includes ROA and operating cash flow margin as new target indicators. We will increase asset efficiency by examining low-profitability businesses and accelerating business portfolio reforms. In addition, through improvements in earnings and working capital, we will generate cash as the source of investment and link these initiatives to future growth.

Our starting point for fiscal 2016 revenues is ¥9,000 billion, primarily because Hitachi Transport System and Hitachi Capital have become equity-method affiliates. In fiscal 2018, we will aim for revenues of ¥10,000 billion through accumulated orders, such as the railway business in Europe and M&A initiatives. Moreover, we will strengthen the front, which will be a driver of our growth.

Over the next three years, we will increase the front workforce by 20,000 people, and through special training programs we will strive to develop human capital who can work together with customers to identify and resolve their issues. In this way, we will aim to have the front contribute 40% of revenues in fiscal 2018. With regard to our cost structure, our SG&A expense ratio will increase slightly due to the strengthening of our front workforce and increasing R&D expenses. Nonetheless, we will take steps to improve the gross margin by promoting cost reduction centered on products, carefully examining low-profitability businesses, and expanding service businesses by bolstering the front. In fiscal 2018, we will aim for adjusted operating income and EBIT ratios of more than 8% each and net income attributable to Hitachi, Ltd. stockholders of more than ¥400.0 billion.

Would you describe cash-generation initiatives and Hitachi's approach to investment?

Under the 2015 Mid-term Management Plan, we further enhanced and expanded the Hitachi Smart Transformation Project, a cost structure reform project, and worked to reinforce our cash-generating capability. Consequently, our operating cash flow margin* improved from 5.7% in fiscal 2012, to 8.6% in fiscal 2015. We have also instituted improvement targets for the cash conversion cycle (CCC)* at each in-house company, and we had significant achievement. We largely reduced the CCC by 10.2 days from fiscal 2014 to fiscal 2015. Moving forward, we will reevaluate cost structures and make further progress in optimization of accounts receivable collection periods, accounts payable payment periods, and inventory levels. Through these initiatives, we will strive to achieve an operating cash flow margin of more than 9%* in fiscal 2018.

In addition to increasing the operating cash flow margin, we will restructure the business portfolio and sell assets to secure cash for investment. For capital expenditure, we will carefully

select growth businesses. In M&A, we will conduct more rigorous evaluations of such factors as business synergies, investment returns, and risk, and after acquisitions we will implement thorough monitoring of investment effectiveness. In these ways, we will boost investment returns. Over the next three years, we are planning a cumulative total of ¥1,000 billion in investment, of which about 60% will be allocated to the front and platform, and about 40% to products. First, by investing in competitive products, where the CCC is relatively short, we will accelerate our cash-generating capability over a shorter time period. The cash obtained will subsequently be used to invest in the front and platform areas, which will lead to increased earnings growth over the medium-to-long term. We will implement cash management to achieve an optimal mix by carefully combining short-term and medium-to-long-term revenue sources.

* Manufacturing, Services and Others

Finally, what is Hitachi's approach to strengthening corporate governance, and what is the shareholder return policy?

Since we adopted the committee system in 2003, we have taken steps to continually strengthen the oversight function. In addition, we have worked to establish a framework for reflecting a global, diverse viewpoint in management. Since June 2012, outside directors have been a majority of the Company's Board of Directors, and in June 2016, the number of non-Japanese outside directors was increased by one. Currently, 9 of the 13 directors are outside directors. Moreover, 5 of the outside directors are non-Japanese.

Hitachi's Board of Directors is composed of professionals who are active in various fields with experience at the CEO level. Meetings of the Board of Directors include vigorous exchanges of opinions on such matters as the strategies that Hitachi should implement and points of differentiation from competitors, as well as advice based on the directors' philosophies as management leaders and on their past experience. In these ways, the meetings foster enhanced awareness and motivation. The courses of action that are shared at meetings of the Board of Directors are aggressively reflected in management's subsequent actions.

Going forward, we will continue taking steps to strengthen corporate governance, such as complying with all the principles for companies under the Corporate Governance Code that took effect in Japan in June 2015.

Regarding the shareholder return policy, we are now in a phase of investing for future growth, and we need to continue to implement aggressive investments to succeed in global competition. We will strive to achieve stable growth in dividends by increasing net income attributable to Hitachi, Ltd. stockholders and cash flow.

In addition, we have introduced stock options as stock-based compensation, thereby having management leaders share the benefits and risks of stock price fluctuations with shareholders. In doing so, we aim to advance management based on a medium-to-long-term perspective and achieve sustainable improvements in corporate value.

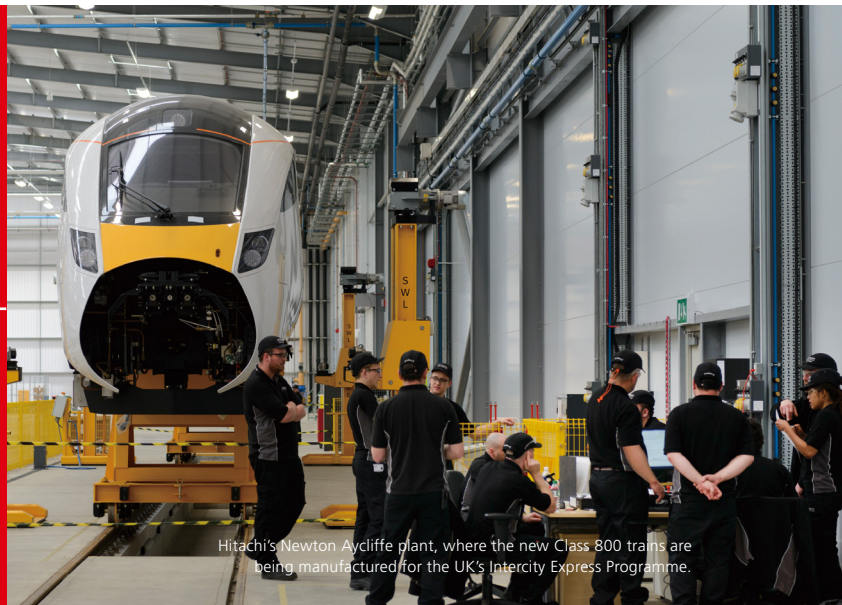




Our Value Creation

CREATING VALUE FOR SOCIETY THROUGH RAILWAYS

Interest is rising in railway infrastructure as a way to deal with the social issues that accompany global warming and increasing urbanization. Hitachi is now expanding its global railway system business using the considerable technological expertise it has developed over many years.



Hitachi's Newton Aycliffe plant, where the new Class 800 trains are being manufactured for the UK's Intercity Express Programme.

Meeting the Railway Systems Needs of Today's Society

There is now great interest in role that railway systems can play in dealing with the various social issues caused by global warming and population growth. As the economies of developing nations rapidly grow, their populations concentrate in cities, causing serious problems like traffic congestion and air pollution and increasing the need for environmentally friendly railway transport. Meanwhile, existing transport infrastructure in developed nations has deteriorated and is in urgent need of renovation to meet current requirements.

Previously, Hitachi focused mainly on manufacturing rolling stock and electrical products, but in recent years it has expanded its business to provide a comprehensive range of services for running railways, such as operation management systems and maintenance services.

The European Rail Industry Association, UNIFE has estimated that the global railway-related market will grow from ¥13.2 trillion (2014–16) to ¥14.6 trillion (2017–19). We anticipate significant growth for the railway operations segment of our business. In 2015 Hitachi acquired two Italian companies—AnsaldoBreda, a rolling stock manufacturer, and Ansaldo STS, a transportation system technology company—thereby enhancing its signaling and railway operation businesses, as well as its turnkey solutions, with an expanded product portfolio.

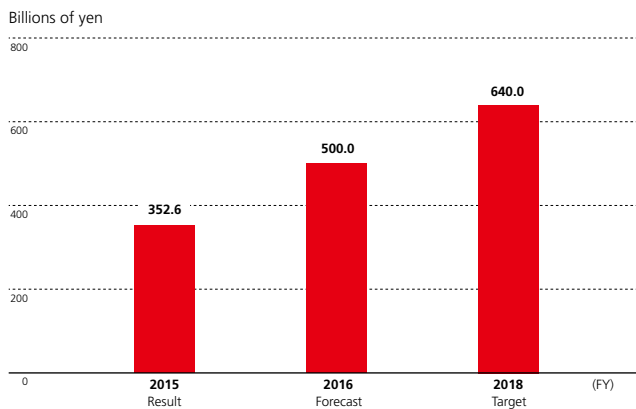
A Global Company with Comprehensive Offerings

With the acquisition of the two Italian companies, Hitachi has become one of only a few players in the global railway industry that offers a full lineup including rolling stock and systems. As well as various achievements in the global market to date, most famously demonstrated by the Shinkansen bullet train, Hitachi

has an industry-leading track record for safety in operation management systems and in rolling stock. Hitachi has placed particular emphasis on environmental considerations, reducing noise pollution and making increasing use of recycled materials, and is a market leader in bimodal and hybrid systems that switch between electric and diesel operation. Hitachi is also developing technology for using big data to improve the efficiency and safety of railway logistics.

Hitachi is using these strengths to focus not just on specific services—like rolling stock systems, signaling, and traffic management—but also a full range of turnkey railway-system solutions including transport systems and Operations and Maintenance (O&M). In fiscal 2014, O&M accounted for 1% of railway-related revenue, but Hitachi's aim is to increase O&M and turnkey combined to 24% of the ¥640 billion in revenue targeted for fiscal 2018.

Revenues for Railway System Business



Meeting Needs in the Birthplace of Railway

Much of the United Kingdom's rail infrastructure dates back to the nineteenth century. This infrastructure is now deteriorating and in urgent need of modernization. Meanwhile, the British Department for Transport is currently implementing the Intercity Express Programme (IEP), which will replace aged rolling stock on main lines. Hitachi is using the technology it has built up over the years to win further IEP orders.

In October 2004, Hitachi was chosen as preferred bidder, and in the following year received the order for 29 Class 395 trains, with a total of 174 carriages, to run on the 109-km high-speed link between London and the Channel Tunnel. The first trains entered service in 2009. The successful completion of this project around half a year ahead of schedule was a huge boost to Hitachi's business in the United Kingdom. In 2007, Hitachi established the Ashford Train Maintenance Centre in southeast England.

In July 2012, Hitachi officially signed a comprehensive contract with the U.K. Department of Transport, which was moving forward with the IEP, including maintenance services to be provided for 27.5 years, and began design work. In September 2015, Hitachi opened a train manufacturing and assembly plant in Newton Aycliffe, in northeast England's Durham County, to produce rolling stock for the IEP. The plant is only a few hundred meters from the historic Heighington Station on the Stockton and Darlington Railway, the first publicly operated steam train line in the world. The revival of railway manufacture in a place with such importance to the history of rail has produced great expectations in the United Kingdom.

To date, much of the U.K.'s railway traffic management has been done manually, but in July 2015, as part of a project by infrastructure management company Network Rail to introduce automatic systems and improve efficiency, Hitachi won an order to provide operation management systems for Thameslink, a main London commuter line that suffers particularly serious traffic congestion. Hitachi was highly appraised for its 40-plus years of expertise managing routes including commuter lines in the Tokyo area and the Shinkansen network.

Hitachi's Pioneering Spirit at Work in the United Kingdom

As part of the IEP, Hitachi received an order for 122 trains and 866 cars, of which 110 trains will be produced at the Newton Aycliffe plant. The 43,000 m² plant has a production capacity of 40 cars a month and, as the company's European manufacturing operation, plays an important role in the global strategy of Hitachi's railway system business. In 2016, it began production of the first three trains for the Great Western Main Line, ready to enter service in 2017. Hitachi also plans to manufacture rolling stock for the East Coast Main Line and for the Abellio ScotRail (ASR) project at the plant.

Manufacturing Plant Manager Darren Cumner says that Newton Aycliffe was chosen for its transport links, availability of skilled workers, heritage, local heavy industry, and presence of other Japanese companies in the area. The plant has introduced a state-of-the-art just-in-time (JIT) production system. As well as fitting the whole production line in a single building, it has been designed to allow rolling stock without production problems to overtake stock that needs extra attention. Thus, even if a problem occurs production can continue to move ahead steadily without any need to halt the line.

Meanwhile, at the new plant Hitachi places special emphasis on two things in particular: dedication to the spirit of craftsmanship and the training of staff with solid technical skills.

There has been much interest in the region regarding the local recruitment of staff. The plant received 16,000 job applications in 2015, far more than the number of jobs available. To date, the plant has hired 550 people, selecting them according to the Hitachi founding concepts of harmony, sincerity, and pioneering spirit and prioritizing values over technical skills. The plant expects to increase its staff to 730 by spring 2017.



The Newton Aycliffe plant uses cutting-edge production methods to build its trains.

Back to Basics: Hitachi Training at the Plant

Production Manager Lee Nockels, who is in charge of staff training at the plant, joined Hitachi in January 2015 after spending 28 years in the army, rising to the rank of major. He notes that, like himself, most of the locally recruited employees are not from the railway industry.

“Some people would see that as a negative,” he says. “But I see it as a positive. We have got very little baggage and very few bad habits.”

The training for the plant’s production employees is an abbreviated version of that implemented at the Kasado Works training manufacturing plant in Yamaguchi Prefecture, Japan. The U.K. program takes a minimum of five weeks, both in the classroom and working on a real train, and covers the basic skills of piping, rigging, and wiring.

Many employees have existing technical skills but are strongly encouraged to go back to the basics. “I always tell people: don’t forget what you have learned before, but don’t be afraid to learn something new,” says Nockels.

As well as running this basic training, the Newton Aycliffe plant is actively engaged in an exchange of technical skills with Kasado Works in Japan. As Hitachi strives to transfer skills to its U.K. operations, many of the plant’s staff have visited Japan for training, and there are currently 20 staff from Japan working at the plant. Hitachi’s policy is to expand such opportunities for skills transfer in the future.



The Newton Aycliffe plant, pictured here, carries out ongoing technology exchange with Hitachi’s flagship Kasado Works in Japan.

Local Staff Who Trained at the Kasado Works



Before joining Hitachi in August 2015, Andy Crowe spent 21 years fitting kitchens into camper vans. He now leads a team of five employees who install catering units into the trains. Soon after joining Hitachi, he traveled to Japan for 12 days of training at the Kasado Works. In addition to learning the procedures, he recorded photos and videos of them along with detailed descriptions. The aim was to produce detailed standard operating procedures (SOPs) to be used by staff back in the United Kingdom. Crowe says that he was particularly impressed by the accuracy of the work in Japan. “Door gaps have got to be a certain measurement, and sometimes you are working to a precision of 0.5 millimeter,” he says. “It would be 3 or 4 millimeters for a camper van.”



Andy Dick joined Hitachi in March 2015 and left for Japan after just 21 days. Much of the training at the Kasado Works focused on quality, he says, giving the example of a multicoil wire. The wire might have 1,000 strands or more; if a scratch were found on just one of those, the entire multicoil would be rejected. “It was unbelievable,” he says. Dick spent three months in Japan and observed about 900 different operations. “It was a difficult job,” he says, “but made easier by the way we were welcomed by the Kasado staff.”

New Systems to Ensure Japanese Quality in the United Kingdom

In Japan, employees often build up experience at the same company over many years, learning many different processes and skills. But U.K. employees are much more likely to change jobs in search of promotion. It is also relatively rare for technical staff to hone their skills in a single factory, and staff from a variety of technical backgrounds tend to work together. In order to manufacture rolling stock in the United Kingdom with the same assurance of quality as in Japan, and to make that process easily comprehensible to U.K. staff, Hitachi is systemizing procedures and the technical skills of experienced employees in Japan and recording those skills in use. In this way, Hitachi aims to increase product quality even further.

For the IEP rolling stock alone, some 700 SOPs have been defined and recorded. At the Kasado Works in Japan, hundreds of hours of video and thousands of photos have been taken then turned into manuals that are easily understandable by employees in the United Kingdom. Staff in the manufacturing area at the Newton Aycliffe plant can consult them whenever they wish using tablets available throughout the plant.

Manufacturing Engineer Fumio Fujinaga was transferred to the Newton Aycliffe plant in August 2015. An expert in rolling stock manufacture, he honed his skills at the Kasado Works in Japan. While at Kasado, he was involved in the training of staff from the United Kingdom, and since his transfer he has also had responsibility for staff development in the U.K. facility. At times, he has faced challenges in the form of communication difficulties, differences in technical background, and contrasting cultural attitudes to work. Nevertheless, he says that the skills transfer successfully achieved to date is thanks to the “pride of local staff in train manufacture” and their “keenness to learn.”



Yusuke Oyama (left) and Fumio Fujinaga, dispatched to Newton Aycliffe from the Kasado Works.

CSR Activities at the Newton Aycliffe Plant

Senior HR Advisor Jacquie Smith was one of the first people hired at the plant, where she has been deeply involved in its CSR activities.

An early and key CSR project for the plant, she says, was becoming a founding member of the South Durham University Technical College (UTC), together with the University of Sunderland and Gestamp Tallent Ltd. The UTC is located just a short walk from the Newton Aycliffe plant. Classes are due to start in September 2016 for students aged 14 to 19 specializing in manufacturing, technology, and engineering. While some students may eventually work for Hitachi, others will be employed by other companies in the business park or fill skill shortages in the wider northeast England region.

The plant is also working with the Durham Education Business Partnership to offer career education in schools. A number of staff members volunteer as “business ambassadors” visiting schools and explaining the plant’s work.

The plant is also working hard to encourage as many job applications from local people as possible. As part of that, it is cooperating with a social rented accommodation company called Livin that helps its tenants find good quality employment. The plant has also helped run workshops on writing CVs and filling out online applications.

Smith, who also has responsibility for recruitment, says that unfortunately the plant has received relatively few applications from women seeking technical jobs. “The reason may be that while many women have applied for office-based jobs at the plant, train manufacturing seems to be seen as work for men,” she says. “Even women already working in manufacturing excluded themselves from working here,” says Smith. To help redress that balance the plant has held two women-only open days to give females a taste of the working environment and the type of work done. The team is also working closely with the UTC by holding events to encourage more girls to study STEM and become the engineers of the future.

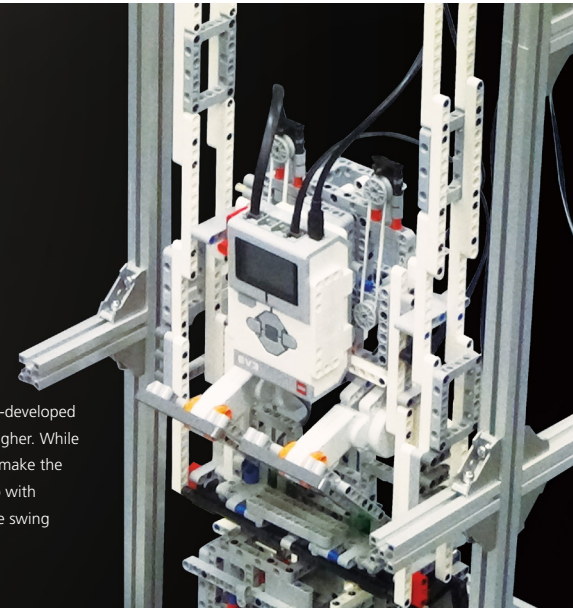


Jacquie Smith, who is in charge of CSR at the Newton Aycliffe plant

HITACHI'S AI OPENING A NEW ERA

Hitachi AI Technology/H

Hitachi's artificial intelligence technology, Hitachi AI Technology/H, is generating new economic growth with versatility that makes it applicable to diverse industries even in a rapidly changing, unpredictable age.



An experiment in which Hitachi-developed AI learns to make a swing go higher. While learning itself how to pump to make the height increase, the AI came up with techniques that a human on the swing would not have invented.

AI for Continuing Economic Growth

Recent years have seen an increase and diversification of data types and formats, thanks to the rapid spread of cloud computing, mobile devices, and social media, along with the development of new sensor technologies to capture this data.

In previous analyses conducted by human specialists, it was becoming increasingly difficult to test hypotheses through exhaustive sifting of this vast amount of data. As these data-driven results became more inaccessible, it gave rise to social problems, such as a digital divide that was directly linked to an income divide.

In response to these changes, Hitachi developed technology to use and apply this "big data," and in 2012 launched a full-scale big data analysis service. We have relationships with a wide range of customers in the electric power, manufacturing, distribution, finance, transportation, and water industries, and are making efforts to link infrastructure and products using the Internet of Things (IoT) and other means. In 2016, we began providing the Lumada IoT platform, developed as a core for social innovation. One of its basic functions is Hitachi AI Technology/H, or simply "H" hereafter.

Now that Hitachi's H has been put to practical use in various industrial fields, we are building on our findings to improve the future, based on past data, and successfully deriving methods to deal with unknown problems.

Hitachi AI Helping People Work Together

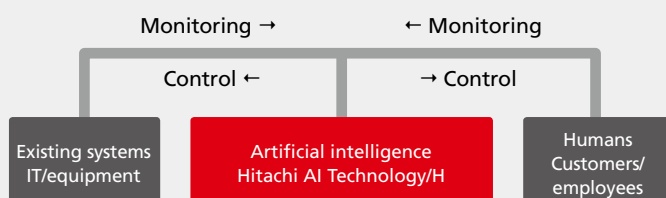
The major characteristic of H is its versatility. Most new technology has a history of being invented first for a specific purpose, later spreading throughout more of industry and society as it is generalized. At Hitachi, our prediction that AI will certainly reach an age of generalization has led us to pursue a more versatile AI implementation from the very beginning.

H has three further characteristics.

- (1) Human users define and input the outcome to be achieved.
- (2) There is no need to define a specific method to solve the problem or application in question.
- (3) H can be applied to existing systems.

For example, when the goal of "increasing sales" is input into H, it analyzes enormous quantities of past data and "thinks" on its own to derive the best method to achieve this. Since it can be added to existing systems, installation costs are also kept down. It is still humans, however, that define the goal for H and implement the measures it recommends. Hitachi H is a system in which humans and AI learn together through data to raise productivity.

Hitachi's Approach to AI Systems



Point 1:

Learn from data and grow while adapting to circumstances to produce results

Point 2:

Optimize the system as a whole, including its human users

Example of AI Development

Versatile Hitachi AI Technology/H can respond to a wide range of work content, and is already producing results in many different industrial sectors.

Versatile Technology for Application in Diverse Fields

Hitachi provides a wide range of services, from construction of electric power facilities, railroads, and other large-scale social infrastructure to manufacture of general household products. The accumulation of business data in these diverse fields worked to our advantage in the development of H. With the same AI software, H provides comprehensive improvement strategies for businesses in completely different industries. Our record to date includes 57 cases in 14 fields, including distribution, logistics, industrial plants, finance, transportation, and manufacturing.

Hitachi has since 2004 been researching and developing technology to objectively measure human behavior. Through our analysis of huge volumes of behavioral data, we have found that people who work in organizations featuring behavioral diversity have high levels of happiness, and that groups with high levels of organizational happiness have high productivity. In other words, employees' happiness is closely related to their organization's activity and should be considered to strongly affect productivity. Hitachi has quantified this as a unique index: "organizational activation." In June 2016, we kicked off a demonstration experiment using H to offer advice to 600 sales and marketing division employees in the Hitachi Group in order to effectively increase happiness. The aim is to raise productivity by providing the organization with fresh energy tied to increased individual happiness.

With AI, Hitachi pursues optimization of overall systems, including the humans that operate them, and is accelerating its Social Innovation Business.

Contributing to Energy Savings in Railway Operation

With the goal of reducing CO₂ to counter global warming, improved energy efficiency is needed in railway systems in Japan and other countries. Railway systems consume 60% to 80% of their total energy during rolling stock operation, and Hitachi has developed rolling stock and related systems to achieve energy savings. H was introduced to verify these energy-saving effects.

Railway systems collect many different types of sensor information, including through remote monitoring of rolling stock status. H was applied to this data to derive methods to effectively reduce energy consumption. After analyzing a year's worth of data, the program identified various characteristics related to energy consumption from factors including speed, track gradient, and operating schedule. Based on analysis of the massive data on the control of the "notch," equivalent to the accelerator on an automobile, and its electric power consumption, we reduced drive system power consumption by shortening the time of train operation at maximum notch and lengthening the time of notch-off operation. Even greater effects are predicted if operating procedures can be further improved.

Future uses of H for railway systems big data are envisioned to include applications to reduce energy consumption in the auxiliary circuit systems used in air-conditioned cars and door opening/closing, and to make settings with the purpose of achieving riding comfort in terms of noise and vibration. In railway maintenance and management work as well, it may be possible to use H to analyze employee "happiness" and apply the findings to raising work efficiency. In raising car utilization, H is promising for deriving the relationship between car deterioration with age and operating conditions, and may possibly be applied to prevention and detection of equipment failure.



Employees with name-tag-style wearable sensors, which collect data on their behavior when interacting with others for analysis by H.

Use in the Field of Finance for a FinTech Age

Financial services have expanded together with the progress in IT. FinTech, a coined term combining the words “finance” and “technology,” refers to the new financial services that have appeared in recent years, bringing together finance and IT to improve user convenience. Typical examples of FinTech are services using the Internet to move capital beyond the scope of traditional services and business frameworks, as well as crowdfunding, which procures capital from multiple individuals using social networks.

Hitachi has focused on AI in the financial industry as well, conducting a joint experiment with The Bank of Tokyo-Mitsubishi UFJ that puts human behavior measurement and analysis tools to use in improving quality and supporting work style reforms. Up to now it has been possible to acquire behavioral data on several hundred people in units of seconds, but specialist analysis was required to judge those people’s level of contribution to organizational activation, and both time and cost were issues. Hitachi developed name-tag-style wearable sensors to measure people’s behavior when in groups. H then analyzed the behavioral data obtained from those sensors, automatically and efficiently producing recommendations on ways of working to raise productivity.

The experiment drew on behavioral data from 40 employees collected over three weeks. It found, for example, that one employee showed a high level of organizational activation on a day when there were frequent short conversations, including greeting others and making brief reports. This demonstrated that while the productivity of specific individuals may decrease with repeated conversations, the productivity of the organization overall can rise. AI analyses that quantify individual contributions to the organization as a whole can be useful for optimizing services and working styles.

AI to Link Manufacturing-Sector Facilities

Use of IoT is progressing in the manufacturing sector. In Western countries, government-led efforts are under way to construct and standardize new industrial “ecosystems” integrating the manufacturing and IT industries.

Hitachi has provided control and production management systems to the steel, automobile, pharmaceutical, and various other industries, and has a proven record in constructing large-scale control systems in fields from energy and transportation to water and sewage. Building on this experience, we produce value by linking various systems to the manufacturing industry and social infrastructure. We have proposed the concept of “symbiotic autonomous decentralization” to promote new growth.

Previously, optimization was limited in scope to analyses on the individual system level and site improvements based on those analyses. Linking factories by symbiotic autonomous decentralization, however, makes it possible to carry out optimization over multiple systems and create new value chains.

Other beneficial effects of linking factories include improved energy productivity and coordination with supply chain management across global sites. An impact is also expected in business continuity plan (BCP) responses to cyber attacks and other factory operation risks.

In some manufacturing sites, H has been used to analyze vast amounts of data collected by control systems on manufacturing equipment, manufacturing processes, and product quality. We have begun to analyze the relation between equipment or processes and quality or yield rate. H can derive statistical characteristics through big data analysis that would be nearly impossible for humans to perform. In manufacturing sites where conditions are inconsistent, due to factors like manufacturing processes that change daily and equipment wear and deterioration, H is useful in defining operating conditions that are appropriate to the changes and obtaining new hints for improvements.

Application Examples of Hitachi AI Technology/H

Just one AI software package has enabled versatile improvement in fields from distribution, logistics, and industrial plants to finance, transportation, and manufacturing

Distribution

Detailed analysis of customer and employee behavior identified “high sensitivity spots” to station employees to boost average sales per customer.

Sales per customer **up 15%**

Logistics

Analysis of daily shipment work results led to work instruction improvement plans for the following day; these were reflected in the picking list (work instruction chart).

Productivity up with **8% reduction in work hours**

Call centers

Data analysis on employee behavior found relationship between verbal support from superiors and order receipt rate. H identified employees needing priority attention.

Order receipt rate **up 27%**

Desalinization plants

Examination of operating history data helped reduce clogging of the reverse osmosis (RO) membrane, a factor impacting uptime for seawater filtration units.

Operating cost: **3.6% reduction**

Board of Directors

As of June 30, 2016

Outside Directors



Baba Kalyani

1983 Joint Managing Director, Bharat Forge Limited
1994 Managing Director, Bharat Forge Limited
1997 Chairman & Managing Director, Bharat Forge Limited (Currently in office)
2016 Director, Hitachi, Ltd.



Cynthia Carroll

1991 General Manager, Foil Products, Alcan Inc.
1996 Managing Director, Aughinish Alumina Ltd., Alcan Inc.
1998 President, Bauxite, Alumina and Speciality Chemicals, Alcan Inc.
2002 President & CEO, Primary Metal Group, Alcan Inc.
2007 CEO, Anglo American plc. (Retired in April 2013)
2013 Director, Hitachi, Ltd.



Sadayuki Sakakibara

2002 President and Representative Member of the Board, Toray Industries, Inc.
2010 Chairman of the Board and Representative Member of the Board, Toray Industries, Inc.
2013 Director, Hitachi, Ltd.
2014 Chairman of the Board, Toray Industries, Inc.
2015 Chief Senior Advisor and Chief Senior Counselor, Toray Industries, Inc. (Currently in office)



George Buckley

1993 Chief Technology Officer, Motors, Drives and Appliances, Emerson Electric Company
1994 President, US Electrical Motors, Emerson Electric Company
1997 President, Mercury Marine Division and Corporate Vice President, Brunswick Corporation
2000 President and Chief Operating Officer, Brunswick Corporation
Chairman and Chief Executive Officer, Brunswick Corporation
2005 Chairman of the Board, President and Chief Executive Officer, 3M Company
2012 Executive Chairman of the Board, 3M Company (Retired in May 2012)
Chairman, Arle Capital Partners Limited (Retired in December 2015)
Director, Hitachi, Ltd.



Louise Pentland

1997 Admitted as a Solicitor (UK)
2001 Senior Legal Counsel, Nokia Networks, Nokia Corporation
2004 Vice President and Head of Legal, Enterprise Solutions, Nokia Corporation
2007 Vice President, Acting Chief Legal Officer and Head of IP Legal, Nokia Corporation
2008 Senior Vice President and Chief Legal Officer, Nokia Corporation
2009 Admitted to New York State Bar Association
2011 Executive Vice President and Chief Legal Officer, Nokia Corporation (Retired in May 2014)
2015 General Counsel, PayPal, eBay Inc. Director, Hitachi, Ltd.
Senior Vice President and Chief Legal Officer, PayPal Holdings, Inc. (Currently in office)



Harufumi Mochizuki

2002 Director-General for Commerce and Distribution Policy, Minister's Secretariat, Ministry of Economy, Trade and Industry of Japan ("METI")
2003 Director-General, Small and Medium Enterprise Agency, METI
2006 Director-General, Agency for Natural Resources and Energy, METI
2008 Vice-Minister of Economy, Trade and Industry of Japan
2010 Special Advisor to the Cabinet of Japan (Retired in September 2011)
Senior Adviser to the Board, Nippon Life Insurance Company (Retired in April 2013)
2012 Director, Hitachi, Ltd.
2013 President and Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd. (Currently in office)



Takatoshi Yamamoto

1995 Managing Director, Morgan Stanley Japan Limited
 1999 Managing Director and Vice Chairman, Tokyo Branch, Morgan Stanley Japan Limited
 2005 Managing Director and Vice Chairman, UBS Securities Japan Co., Ltd.
 2009 Managing Director, CASIO COMPUTER CO., LTD.
 2011 Advisor, CASIO COMPUTER CO., LTD. (Retired in June 2012)
 2016 Director, Hitachi, Ltd.



Philip Yeo

1970 Joined Ministry of Defense of Singapore
 1979 Permanent Secretary, Ministry of Defense of Singapore
 1986 Chairman, Economic Development Board of Singapore
 2001 Chairman, Agency for Science, Technology and Research of Singapore
 2007 Senior Advisor for Science and Technology to the Ministry of Trade & Industry, Singapore (Retired in September 2008)
 Special Advisor in Economic Development, Prime Minister's Office, Government of Singapore (Retired in August 2011)
 Chairman, SPRING Singapore (Currently in office)
 2012 Director, Hitachi, Ltd.



Hiroaki Yoshihara

1978 Joined Peat Marwick Mitchell & Co.
 1996 National Managing Partner, the Pacific Rim Practice, KPMG LLP
 1997 The Board Member, KPMG LLP
 2003 Vice Chairman and Global Managing Partner, KPMG International (Retired in April 2007)
 2014 Director, Hitachi, Ltd.

Directors



Kazuyuki Tanaka

1977 Joined Hitachi Chemical Company, Ltd.
 2005 Executive Officer, Hitachi Chemical Company, Ltd.
 2006 Senior Executive Director, Hitachi Media Electronics Co., Ltd.
 Representative Director and President, Hitachi Media Electronics Co., Ltd.
 2008 Vice President and Executive Officer, Hitachi Chemical Company, Ltd.
 2009 Representative Executive Officer, President & Chief Executive Officer, Hitachi Chemical Company, Ltd.
 Director, Representative Executive Officer, President & Chief Executive Officer, Hitachi Chemical Company, Ltd.
 2016 Chairman of the Board, Hitachi Chemical Company, Ltd. (Currently in office)
 Director, Hitachi, Ltd.



Hiroaki Nakanishi

Representative Executive Officer

1970 Joined Hitachi, Ltd.
 2003 General Manager, Global Business Vice President and Executive Officer
 2004 Senior Vice President and Executive Officer
 2005 Senior Vice President and Executive Officer, Hitachi, Ltd.
 Chairman and Chief Executive Officer, Hitachi Global Storage Technologies, Inc.
 2006 Executive Vice President and Executive Officer, Hitachi, Ltd. (Retired in December 2006)
 2009 Executive Vice President and Executive Officer, Hitachi, Ltd.
 2010 President, Hitachi, Ltd.
 President and Director, Hitachi, Ltd.
 2014 Chairman & CEO and Director, Hitachi, Ltd.
 2016 Chairman of the Board and Representative Executive Officer, Hitachi, Ltd.



Toyoaki Nakamura

1975 Joined Hitachi, Ltd.
 2006 General Manager, Finance Department I
 2007 Senior Vice President and Executive Officer
 Senior Vice President, Executive Officer and Director
 2009 Senior Vice President and Executive Officer
 2012 Executive Vice President and Executive Officer (Retired in March 2016)
 2016 Director



Toshiaki Higashihara

Representative Executive Officer
 President & CEO

1977 Joined Hitachi, Ltd.
 2006 Chief Operating Officer, Information & Telecommunication Systems
 2007 Vice President and Executive Officer (Retired in March 2008)
 2008 President, Hitachi Power Europe GmbH
 2010 President and Chief Executive Officer, Hitachi Plant Technologies, Ltd.
 President and Representative Director, Hitachi Plant Technologies, Ltd.
 2011 Vice President and Executive Officer, Hitachi, Ltd.
 2013 Senior Vice President and Executive Officer, Hitachi, Ltd.
 2014 President & COO, Hitachi, Ltd.
 President & COO and Director, Hitachi, Ltd.
 2016 President & CEO and Director, Hitachi, Ltd.

Note: Directors are listed by position and in Japanese alphabetical order within each grouping.

Executive Officers

As of August 1, 2016

President & CEO



Toshiaki Higashihara*
Overall operations

Executive Vice Presidents and Executive Officers



Ryuichi Kitayama*
Assistant to the President,
marketing and sales, and social
innovation business promotion



Yutaka Saito*
Assistant to the President and
open innovation promotion



Koji Tanaka*
Assistant to the President



Toshikazu Nishino*
Assistant to the President and
management strategies

Senior Vice Presidents and Executive Officers



Masakazu Aoki
Industrial products business



Shinichiro Omori
Cost structure reform and
information technology
strategies



Toshiaki Kuzuoka*
Corporate communications
and CSR, legal matters, risk
management and corporate
auditing



Keiji Kojima
Service & platform business



Hiroshi Sato
Building systems business



Keiichi Shiotsuka
ICT business



Yasuo Tanabe
Government & external relations



Alistair Dormer
Railway systems business



Mitsuaki Nishiyama*
Finance and corporate pension
system

Vice Presidents and Executive Officers

Hiroyuki Ugawa
Manufacturing & commerce
business

Ryuichi Otsuki
Regional strategies (Americas)
and ICT business
(platform business)

Atsushi Oda
Electric power business

Kaoru Kawano
Marketing and sales
(industrial products business)

Kenichi Kokubo
Regional strategies (China)

Keizo Kobayashi
Urban solutions business

Kunizo Sakai
Water business

Setsuo Shibahara
ICT business

Akira Shimizu
Government & external relations

Norihiro Suzuki
Research & development

Yoshitaka Tsuda
Marketing and sales
(ICT business and healthcare
business)

Hidenobu Nakahata
Human capital

Hiroshi Nakayama
Cost structure reform and
supply chain management
(MONOZUKURI and quality
assurance)

Katsumi Nagasawa
Nuclear power systems business

Isao Narukawa
Marketing and sales
(nuclear power systems business,
electric power business and
energy solutions business)

Masaaki Nomoto
Energy solutions business

Kentaro Masai
Railway systems business

Mamoru Morita
Management strategies

Masaya Watanabe
Healthcare business

Representative Executive Officer

Hiroaki Nakanishi*
General management

Note: Executive officers are listed by position and in Japanese alphabetical order within each grouping.

* Denotes executive officers who are representative executive officers.



Our ESG Approach

Message from Outside Directors



Impressions of Hitachi's Corporate Governance

In my view, Hitachi's corporate governance is excellent. I joined the Board of Directors of Hitachi as an outside director in 2012. Currently, outside directors account for 9 of the 13 directors. In addition, 5 directors are from outside of Japan. I am most impressed that Hitachi is one of the few leading corporations in Japan in the promotion of diversity. In terms of their experience and cultures, the directors have a wide range of backgrounds and offer diverse opinions. There have been many opportunities for me to learn, and I believe that meetings of the Board of Directors are conducted in a manner that is highly meaningful.

Another distinctive feature of Hitachi is the close communication between the directors and the executive officers, who communicate freely and openly. At meetings of the Board of Directors, there are detailed business briefings by each Business Unit CEO and executive officers. In response, outside directors offer a broad range of opinions and views from their independent viewpoints. The President & CEO openly welcomes the comments of the outside directors and works to reflect those comments in management. The executives of Hitachi are aiming to increase shareholder

value through sustainable growth and to be a corporation in which all employees can work in a comfortable, secure environment.

Changes for Hitachi

To accelerate the Social Innovation Business, from fiscal 2016 Hitachi made a major shift to a new system that emphasizes front businesses, which will implement marketing while maintaining close contact with customers. In addition, the Company has clarified its market-in approach. For example, the President & CEO and other executives will take a lead role in stepping up sales and marketing initiatives. That approach is also clear at meetings of the Board of Directors. Outside directors have been included in opportunities to meet with local customers and partners. These have included meetings of the Board of Directors in Delhi, India, in 2012; Washington, D.C., United States, in 2013; and London, United Kingdom, in 2015. These meetings were highly significant opportunities.

Hitachi also implements a market-in approach in regard to R&D, which will be the source of sustainable growth in the future. A new organizational system that supports front operations has already been placed into operation. I have visited

Hitachi's Central Research Laboratory twice. The majority of its research efforts have business potential, and I look forward to seeing the commercialization of these R&D results at an early stage.

Globalization of Management

Hitachi has strengths in advanced technologies and in the broad scope of its business fields, and the Company is rolling out initiatives in the Social Innovation Business on a global scale. The members of the Board of Directors have visited major offices and facilities in India, the United States, and the United Kingdom. In addition, we participated in the Hitachi Social Innovation Forum 2015, which was held in Las Vegas, Nevada. Working together with customers and partners, Hitachi provides a wide range of technologies and solutions globally. Based on my experience at these events, it is clear that Hitachi enjoys a wide range of business opportunities.

Hitachi is accelerating reforms to promote globalization of management. The Company's goal is to derive more than 55% of its revenue from overseas markets in fiscal 2018. Here the diversity of its human capital talent pool is key. It will be necessary to enhance the capabilities of individual employees while effectively utilizing human resource rotations across Japan and overseas markets. These efforts should include the active utilization of overseas global talent in postings at Hitachi headquarters in Japan.

Moreover, global markets are currently characterized by increasing uncertainty. In addition to strengthening services and products, Hitachi must take additional steps to improve profitability, such as reducing costs through further diversification of its procurement of parts and components. Customers are managing their operating expenditures within limited budgets, and accordingly Hitachi needs to step up the global provision of solutions and services that help customers resolve these challenges. I believe that this will provide opportunities to create new businesses and lead to future growth.



Louise Pentland

Hitachi's Meeting of the Board of Directors

I became an outside director of Hitachi in June 2015, and my overall evaluation of our corporate governance is that it is very good. At Hitachi, executive officers aggressively incorporate the opinions of the Board of Directors into management activities. Hitachi has demonstrated a consistent, forward-looking approach that aims for further progress. Many Japanese companies have problems with rapid decision making, but one of Hitachi's distinctive strengths is the extremely fast pace of its management. For example, when I ask a question about a particular issue at a meeting, the answer to that question is always provided at the next meeting. The Company does not simply listen to the opinions of outside directors. They have a clear focus on actually incorporating those opinions into actions and drawing on them in management activities.

Hitachi has a global business involved in many diverse industries. This means the Company needs a board with a diverse makeup to enable both the skills and specialized focus that are needed to govern over a company like Hitachi. In that regard,

the Board itself has broadened to become more diverse in culture and experience. One example is the increase in the number of outside directors who are not Japanese. There is a good degree of debate and multiple points of views from the diversity on the Board, which includes these directors with different backgrounds.

Maintaining a focus on the next three to five years and seeking to ensure Hitachi remains competitive are the most important themes that the Company is dealing with. If the management policies and organizational reforms that have been discussed in meetings of the Board of Directors over the past few years take firm hold, and Hitachi moves forward on that basis, then I believe that the Company is certain to be successful.

Hitachi's Strengths and Challenges

Hitachi has numerous strengths and those that are always top of mind for me are the global reach of the Company, the diversification of industries, the highly talented and skilled workforce, and the longevity of the talent pool within Hitachi as well as the leadership, including the Chairman of the Board and the President & CEO.

But with great strengths like these, the challenges can also seem not a few. Maintaining margin growth with a 340,000-person workforce is no small feat. Hitachi has a wealth of talented, innovative human resources around the world, but it will be necessary for each individual to further enhance and leverage his or her skills.

No matter how a company reduces waste and increases efficiency, it is a continuous theme that the company must keep constant its efforts to overcome the competition. In this difficult environment, Hitachi needs to learn how to make quicker management decisions or completely change if the Company wants to lead rather than follow.

Expectations for Hitachi

Hitachi needs to focus on steadily delivering on goals in the 2018 Mid-term Management Plan while increasing the speed of decision making and changing risks and challenges into opportunities.

Also, there are geopolitical changes that continue to occur and could sometimes affect the business of Hitachi. It will be necessary to focus not only on geopolitical risks but also on cultural risks. In preparation for these risks, Hitachi needs to further strengthen its cost competitiveness. To expand operations while reducing risk, it will be necessary to utilize overseas human resources, who have abundant knowledge of local markets, for top management positions, as in the case of British executive Mr. Alistair Dormer, who was appointed as the CEO of the Railway Systems Business Unit.

As a legal specialist with experience in the management of global corporations, I will do my utmost to contribute to Hitachi. Through meetings of the Board of Directors, I would like to utilize my knowledge in a wide range of fields, such as corporate culture, organizational reform, and cost reductions, in Hitachi's management.

Corporate Governance

Hitachi and its listed subsidiaries are companies with Nominating Committee, etc., under the Companies Act of Japan. By demarcating responsibilities for management oversight and those for the execution of business operations, Hitachi is working to create a framework for quick business operation, while making management highly transparent.

In addition, Hitachi is executing business strategies formulated to enable the Group to demonstrate its collective strengths. Moreover, some of Hitachi's Directors and Executive Officers serve concurrently as Directors and Executive Officers at Group companies, thereby strengthening integrated management of the Group and improving

management oversight of Group companies. In these ways, Hitachi is working to increase corporate value.

Starting in June 2015, the Japan's Corporate Governance Code applies to companies listed on domestic stock exchanges in Japan. Hitachi agrees with the basic approach of the Code, which is that the Code's appropriate implementation will contribute to the development and success of companies, investors and the Japanese economy as a whole through individual companies' self-motivated actions so as to achieve sustainable growth and increase corporate value over the medium-to-long term. Moving forward, Hitachi will work to further strengthen corporate governance.

Initiatives to Strengthen Corporate Governance

1. Realizing quick, highly transparent management

Transition to a Company with Committee System (currently a Company with Nominating Committee, etc.) (June 2003~)

Major Aims

- Make management highly transparent by demarcating responsibilities for management oversight and those for the execution of business operations

Composition of Each Committee (June 2016)

Nominating Committee: Determines director candidates



Audit Committee: Audits execution of Directors and Executive Officers



Compensation Committee: Determines remuneration for Directors and Executive Officers



† Chairman (Outside Director) ‡ Outside Director § Inside Director

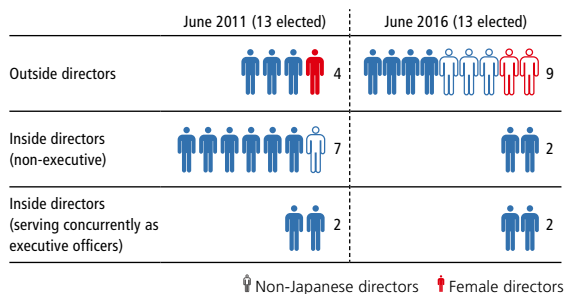
2. Accelerating global management, strengthening oversight function

Increased number of outside directors including non-Japanese directors; outside directors became majority (June 2012~)

Major Aims

- Reflect global, diverse viewpoints in management, further strengthen oversight function

Composition of Board of Directors



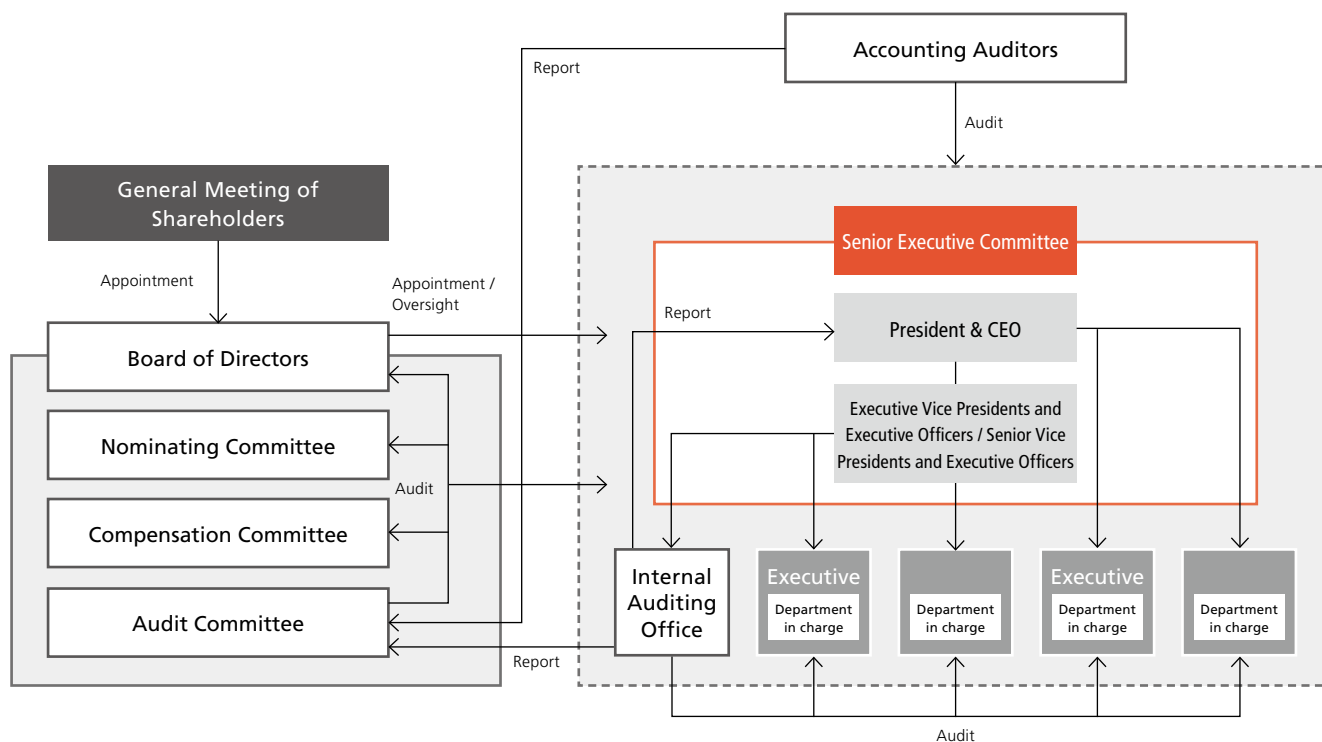
3. Appropriate implementation of the Corporate Governance Code

Implementing all of the principles of the Corporate Governance Code

Analysis and Evaluation of the Effectiveness of the Board of Directors

- The Board of Directors analyzed and evaluated its effectiveness in fiscal year ended March 31, 2016, based on each director's evaluations in regard to such matters as the composition of the Board of Directors, the decision-making process, contributions, and operational and support systems.
- The results of the evaluation were that the Board of Directors has diversity in its composition and, targeting growth in corporate value over the medium-to-long term, conducts active discussions, centered on matters related to management strategies, such as mid-term management plans. The evaluation concluded that the Board of Directors is functioning effectively overall.

Corporate Government Framework



Board of Directors

The Board of Directors approves basic management policy for the Hitachi Group and supervises the execution of the duties of executive officers and directors in order to sustainably enhance corporate value and shareholders' common interests. The basic management policy includes the medium-term management plan and annual budget compilation. The Board of Directors focuses on strategic issues related to the basic management policy as well as other items to be resolved that are provided in laws, regulations, the Articles of Incorporation, and Board of Directors Regulations. As of June 22, 2016, the Board of Directors was made up of 13 Directors, and two of them concurrently serve as Executive Officers. Hitachi aims to reinforce the oversight function of the Board of Directors, of which nine outside Directors, including non-Japanese, account for the majority, reflecting their global and diverse viewpoints.

Within the Board of Directors, there are three statutory committees—the Nominating Committee, the Audit Committee, and the Compensation Committee—with outside Directors accounting for the majority of members of each committee. The Board of Directors meetings were held 8 days during the fiscal year ended

March 31, 2016, and the attendance rate of Directors at these meetings was 100%. To assist with the duties of the Board of Directors and each committee, staffs who are not subject to orders and instructions of Executive Officers are assigned.

Attendance at meetings of the Board of Directors by each outside director in the fiscal year ended March 31, 2016

Name	Attendance
Nobuo Katsumata	8 out of 8 days
Cynthia Carroll	8 out of 8 days
Sadayuki Sakakibara	8 out of 8 days
George Buckley	8 out of 8 days
Louise Pentland	7 out of 7 days
Harufumi Mochizuki	8 out of 8 days
Philip Yeo	8 out of 8 days
Hiroaki Yoshihara	8 out of 8 days

Corporate Governance

Furthermore, Hitachi formulated and published Corporate Governance Guidelines outlining the framework of corporate governance, such as the function and composition of the Board of Directors, qualifications for Directors, and criteria for assessing the independence of outside Directors.

Corporate Governance Guidelines of Hitachi, Ltd.

<http://www.hitachi.com/IR-e/corporate/governance/guidelines.html>

Qualification for the outside Directors and criteria for the independency

In regard to the election of an outside Director, the Company's Nominating Committee considers the following criteria for independence. In addition, the Committee also considers whether the outside Director has outstanding character and insight and whether the Outside Director has worked in a leadership position in such fields as business, law, administration, accounting or education or has experience at policy-making levels.

In regard to the independence of an outside Director, the Company considers an outside director to be independent if none of the following items are applicable.

- His or her immediate family member is, or has been within the last three years, an executive director or an executive officer, of the Company or any of its subsidiaries;
- He or she is currently an executive director, an executive officer or an employee of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies' consolidated gross revenues;
- He or she has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her service as a specialist in law, accounting or tax, or as a consultant from the Company, other than director compensations; or
- He or she serves as an executive officer or director of a not-for-profit organization, and the Company's discretionary charitable contributions to the organization in any of the last three fiscal years are more than ¥10 million and 2% of that organization's annual gross revenues.

Name	Reasons for appointment
Baba Kalyani	Mr. Kalyani was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight as the top executive of a major global company.
Cynthia Carroll	Ms. Carroll was selected as an outside director, since she was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint to the Company's Board of Directors based on her rich experience and insight as the top executive of major global companies.
Sadayuki Sakakibara	Mr. Sakakibara was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on his rich experience and insight as the top executive of a major global company.
George Buckley	Mr. Buckley was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight as the top executive of major global companies.
Louise Pentland	Ms. Pentland was selected as an outside director, since she was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting her global viewpoint to the Company's Board of Directors based on deep insight into corporate legal matters and corporate governance gained through her rich experience as the chief legal officer of major global companies.
Harufumi Mochizuki	Mr. Mochizuki was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on his rich experience and insight in the area of public administration, etc.
Takatoshi Yamamoto	Mr. Yamamoto was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective based on a broad range of insight in business and management gained through his experience in the area of corporate analysis and global corporate management.
Philip Yeo	Mr. Yeo was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his broad experience and insight in such areas as public administration.
Hiroaki Yoshihara	Mr. Yoshihara was selected as an outside director, since he was expected to reinforce the functional aspects of the Company's Board of Directors by supervising the execution of duties by Executive Officers and others from an independent perspective as well as reflecting his global viewpoint to the Company's Board of Directors based on his rich experience and insight in the area of global corporate management and accounting.

(1) Nominating Committee

The Nominating Committee has the authority to determine particular proposals submitted to the general meeting of shareholders for the election and dismissal of Directors. The Nominating Committee consists of four Directors, three of whom are outside Directors.

The Nominating Committee meetings were held 6 days during the fiscal year ended March 31, 2016.

(2) Audit Committee

The Audit Committee has the authority to audit the execution of duties of Directors and Executive Officers and to determine on proposals submitted to the general meeting of shareholders for the election and dismissal of accounting auditors. The Audit Committee consists of five Directors, including three outside Directors and one standing Audit Committee members.

The Audit Committee meetings were held 16 days during the fiscal year ended March 31, 2016.

(3) Compensation Committee

The Compensation Committee has the authority to determine remuneration policies for Directors and Executive Officers and remuneration for individuals based on them. The Compensation Committee consists of four Directors, three of whom are outside Directors.

The Compensation Committee meetings were held 9 days during the fiscal year ended March 31, 2016.

Composition of the Board of Directors and Each Committee

	Number of persons	Outside Directors	Directors	Chairman
Board of Directors	13	9*	4	Inside Director
Nominating Committee	4	3	1	Outside Director
Audit Committee	5	3	2	Outside Director
Compensation Committee	4	3	1	Outside Director

* In regard to the outside directors, Hitachi has notified all outside Directors as independent directors to each of the stock exchanges in Japan where the Company is listed.

Executive Officers

Executive Officers decide on matters delegated to them by the Board of Directors and execute Hitachi's business affairs within the scope of assignments determined by the Board of Directors. As of August 1, 2016, Hitachi had 34 Executive Officers.

Senior Executive Committee

The Senior Executive Committee is a council to ensure that President deliberately decides on important managerial matters, which may affect the business of Hitachi or the Hitachi Group, through discussing from diverse viewpoints. This committee consists of eight members as of June 22, 2016: President & CEO, four Executive Vice President and Executive Officers and three Senior Vice President and Executive Officers.

Director and Executive Officer Compensation

The Company's Compensation Committee sets forth the policy on the determination of the amount of compensation, etc. of each Director and Executive Officer pursuant to applicable provisions of the Companies Act. Compensation will be commensurate with the ability required of, and the responsibilities to be borne by, the Company's Directors and Executive Officers, taking into consideration compensation packages at other companies.

Compensation for Directors will consist of a monthly remuneration and a year-end allowance. Monthly remuneration will be decided by adjusting basic remuneration that reflect full-time or part-time status, committee membership and position, travel from place of residence, etc. Year-end allowance will be a pre-determined amount equivalent to about 20% of the Director's annual income based on monthly remuneration, although this amount may be reduced depending on financial results. A Director concurrently serving as an Executive Officer will not be paid compensation as a Director.

Compensation for Executive Officers will consist of a monthly remuneration, a performance-linked component and a medium and long-term incentive compensation. The higher position Executive Officers hold, the higher proportion of variable pay (the sum of performance-linked component and medium and long-term incentive compensation, except monthly remuneration as fixed pay) will be set to the total annual compensation. Monthly remuneration will be decided by adjusting a basic amount to reflect the results of an assessment. The basic amount is set in accordance with the relevant position. Performance-linked component will be decided by adjusting a basic amount to reflect financial results and individual performance. The basic amount is set within the range of about 25 to 35% of the total annual compensation of each Executive Officer in accordance with the relevant position. Medium and long-term incentive compensation* will be stock options as stock-based compensation with share price conditions (stock acquisition rights with the strike price of ¥1), the number of which to be granted will be determined within the range of about 10 to 40% of the total annual compensation of each Executive Officer in accordance with the relevant position. As for expatriates, cash award based on the value of the Company's share price with the similar conditions will be substituted for the stock options.

* It was decided at the Compensation Committee meeting held on May 13, 2016 that medium and long-term incentive compensation will be introduced as a component of the compensation from the fiscal year commencing on April 1, 2016.

The compensation structure for Directors and Executive Officers was re-examined starting with compensation for the fiscal year ended March 31, 2009, and the retirement allowance was abolished.

Corporate Governance

Compensation for Directors and Executive Officers for the fiscal year ended March 31, 2016, is as follows:

Amount of compensation

Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)		Number of persons
		Monthly remuneration	Year-end allowance and performance-linked component	
Directors (excluding outside Directors)	117* ¹	105* ¹	12	3* ²
Outside Directors	280	265	14	8
Executive Officers	1,763	1,275	487	28
Total	2,161	1,647	514	39

*1 The amount of compensation to Directors (excluding outside Directors) includes the monthly remuneration for one Director, who retired due to expiration of his term of office at the close of the 146th Annual General Meeting of Shareholders held on June 25, 2015.

*2 The number of Directors indicated excludes two Directors who concurrently serve as Executive Officers.

In addition, Directors or Executive Officers whose compensation from Hitachi and its subsidiaries is not less than ¥100 million and the amount of their compensation are as follows:

Name	Company	Category	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)					
				Monthly remuneration	Performance-linked component	Basic remuneration	Incentive		Others* ⁶
							Short-term	Long-term	
Hiroaki Nakanishi	Hitachi, Ltd. (The Company)	Executive Officer* ³	161	115	46	—	—	—	—
Toshiaki Higashihara	Hitachi, Ltd. (The Company)	Executive Officer* ³	136	97	39	—	—	—	—
Alistair Dormer* ⁴	Hitachi Rail Europe Ltd. (Consolidated subsidiary)* ⁵	Executive Chairman and CEO	161	—	—	70	61	28	—
John Domme* ⁴	Hitachi Information & Telecommunication Systems Global Holding Corporation (Consolidated subsidiary)* ⁵	Chairman of the Board and CEO	900	—	—	144	185	558	12

*3 Although concurrently serving as Director, Messrs. Hiroaki Nakanishi and Toshiaki Higashihara do not receive compensation as Director.

*4 Although concurrently served as Executive Officer of the Company for the fiscal year ended March 31, 2016, Messrs. Alistair Dormer and John Domme did not receive compensation as Executive Officer of the Company.

*5 The basic remuneration paid in Sterling pounds and US dollars is converted into yen using average exchange rate for each quarter of the fiscal year ended March 31, 2016. The other compensations paid in Sterling pounds and US dollars are converted into yen using average exchange rate for the fiscal year ended March 31, 2016.

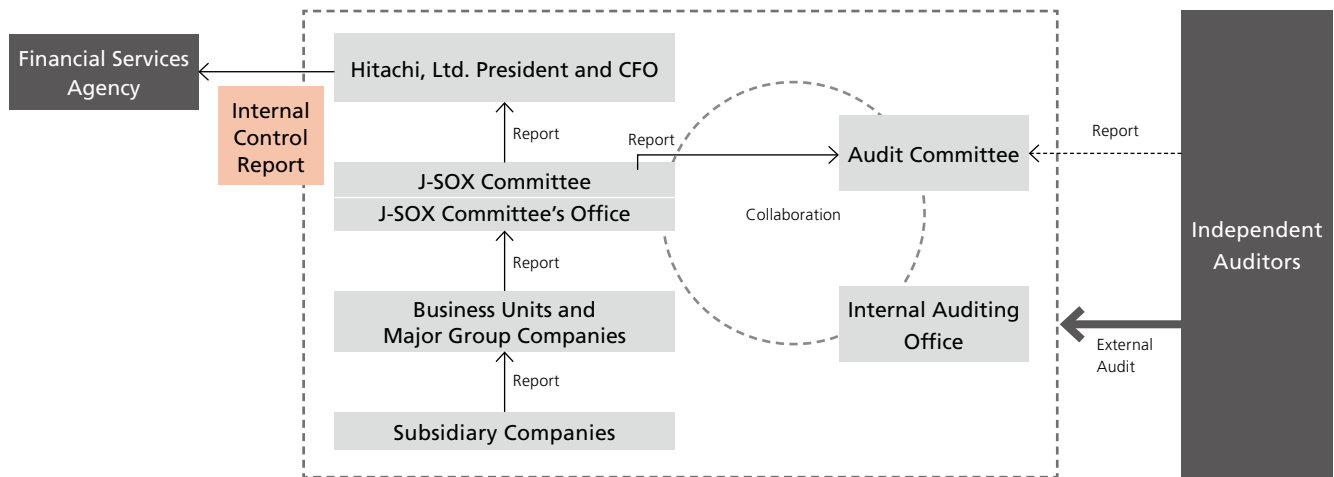
*6 The "Others" column represents the amount of fringe benefits.

Internal Control over Financial Reporting

To ensure the reliability of the financial reporting for the Group as a whole, the Hitachi Group has documented control procedures, from company-level controls to process-level controls, in accordance with policies determined by the J-SOX Committee. In regard to assessment of the internal control over financial

reporting, Hitachi is advancing the establishment of systems for objective assessment at each business unit and major Group company. The J-SOX Committee's office summarizes the assessment results of each company to confirm the effectiveness of internal control on a Group-wide, consolidated basis.

Hitachi Group Internal Control Assessment Framework (As of April 1, 2016)



Accountability

In accordance with its disclosure policy, Hitachi is implementing the fair and appropriate disclosure of such information as management strategies and financial information. In addition, Hitachi is aggressively conducting dialogues through such means as meetings with shareholders and investors, investor relations (IR) events, and the general meeting of shareholders.

In the fiscal year ended March 31, 2016, we held quarterly financial results briefings and corporate strategy meetings on our progress with the 2015 Mid-term Management Plan. Following on from the fiscal year ended March 31, 2015, we hosted Hitachi IR Day 2015, where senior management explained their business strategies and management policies under the Plan. Feedback from institutional investors and analysts was positive. Their comments included, "I was struck by the Company-wide efforts to generate cash flows," and "This was a valuable once-a-year opportunity to update our understanding of the Company's various businesses—one that I very much hope will continue."

We also conducted tours of the Nakajo Division of Hitachi Industrial Equipment Systems and Hitachi Consumer Products (Thailand), a consumer electronics production site, to deepen understanding of our product businesses, in addition to conducting about 740 one-on-one meetings with institutional investors and analysts worldwide. Members of senior management visit institutional investors in North America, Europe, and Asia twice a year to explain corporate management policies and business directions. We are doing our best to share IR feedback in-house and reflect this in management and operations.

We also post briefing materials and business performance as well as stock price trend charts in a timely manner on our IR website. We aim to continuously enhance our information disclosure. In the fiscal year ended March 31, 2016, we introduced a new responsive design on our website for improved browsing convenience from smartphones and tablets.

Information for shareholders and investors
<http://www.hitachi.com/IR-e/>

Major information disclosure publications

Financial results / Quarterly financial results

Annual securities reports / Quarterly reports

Business reports / Interim business reports

Annual report

Hitachi Group sustainability reports

Risk Management

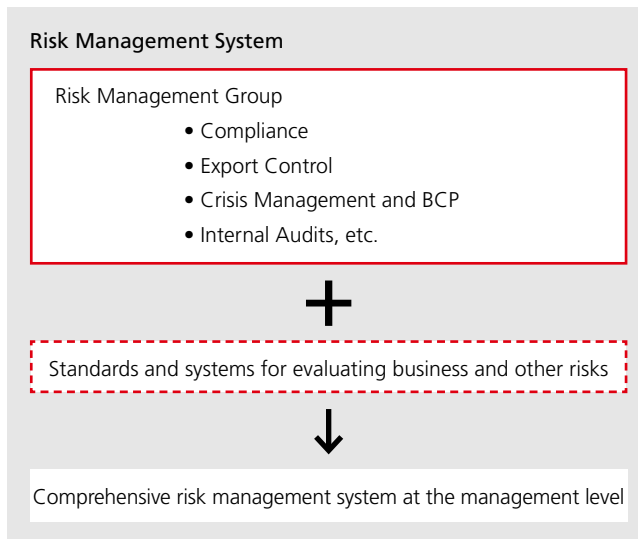
Changes to our operating environment from such factors as the globalization of the economy and advances in and spread of information and communications technology (ICT) not only lead to the expansion of business opportunities but also to the diversification of risks to our operations.

We have built a diverse risk management system under which we carry out risk analysis to accurately gauge ongoing economic and social changes and use the insights gained to take preventive measures and ensure a rapid response to issues that may arise unexpectedly.

Reinforcement of Risk Management System

The entire Hitachi Group is reinforcing its risk management system to address increasingly globalized and complexed risks.

Under Hitachi, Ltd.'s head of risk management, each business operation assigns an executive handling risk management to manage risks mainly concerned with compliance, export control, disasters, and crime, and to respond adequately in coordination among the entire Group. Furthermore, Hitachi is building a comprehensive risk management system that contains standards and procedures to objectively evaluate different risks that may affect business.



Creating BCPs* in Key Operations Worldwide

Given the close relation of our business to social infrastructure, we are enhancing our BCPs to ensure that the impact of risks does not disrupt our business and thereby significantly affect society. In December 2006, we issued the *Hitachi Group Guidelines for Developing Business Continuity Plans* in Japanese. In fiscal 2010 these were translated into English and Chinese for distribution to all Hitachi Group companies worldwide to ensure our response readiness for large disasters and other risks.

When the Great East Japan Earthquake struck in March 2011, our BCPs enabled quick responses and swift decision making. However, issues emerged including identification of secondary and other suppliers, cloud storage and multiplexing of production information, and the need to secure alternate transportation and fuel sources.

Based on the lessons learned from this disaster, in October 2011 we released and distributed new BCP guidelines for departmental implementation to further improve our BCPs. Hitachi Group operations in Japan completed their preparation and review of BCPs, based on applicability to their operations, by the end of fiscal 2011. BCPs for large earthquakes and novel strains of influenza have been prepared for 49 Hitachi, Ltd. business sites and 96 Group companies.

On top of these efforts, since fiscal 1998, Hitachi, Ltd. has held annual earthquake drills simulating a major seismic event at key operations in Japan. In November 2015, Hitachi Automotive Systems held coordinated drills at its head office and business sites in the cities of Sawa, Atsugi, and Fukushima, where managers in charge of their divisions confirmed the action plans in emergency situations based on BCPs.

In fiscal 2013, Hitachi appointed personnel in charge of risk-response policies at its main overseas bases and around 300 companies prepared BCPs with the goal of completing them for key operations by the end of fiscal 2013. These BCPs are aimed at strengthening our ability to respond to business risks, including large disasters, novel strains of influenza, political instability, and social disruption, as well as acts of terrorism. Moving forward, we intend to further expand the scope of our BCPs.

* BCP: Business Continuity Plan

Improving Safety for Employees Sent to Dangerous Regions

Responding to the hostage incident in Algeria in January 2013, then President Hiroaki Nakanishi reinforced his policy in February 2013 of ensuring the safety of employees sent outside Japan. Survey missions of in-house and outside experts are now sent beforehand to areas at high risk of war, terrorism, and other threats. Even after employees are dispatched to such areas, we conduct additional local surveys every six months as a means of confirming the effectiveness of our safety policies. In fiscal 2014, survey missions were sent to several countries in Africa and the Middle East. In addition, we have introduced a range of safety measures in the light of recent terrorist incidents involving Japanese and other nationals, including providing timely alerts to employees. These and other steps underscore our commitment to ensuring the safety of our employees working around the globe.

Hitachi is also contributing to safety measures at other Japanese corporations operating outside Japan. To help enhance collaboration between the private and public sectors in this area, Hitachi executives participated in the Council for Public-Private Cooperation for Overseas Safety organized by Japan's Ministry of Foreign Affairs, and in June 2014 Hitachi took part in a public-private kidnap incident preparatory training exercise.

* Incident in January 2013 in which an armed terrorist group attacked a natural gas refining plant in Algeria. There were more than 30 victims, including 10 Japanese.

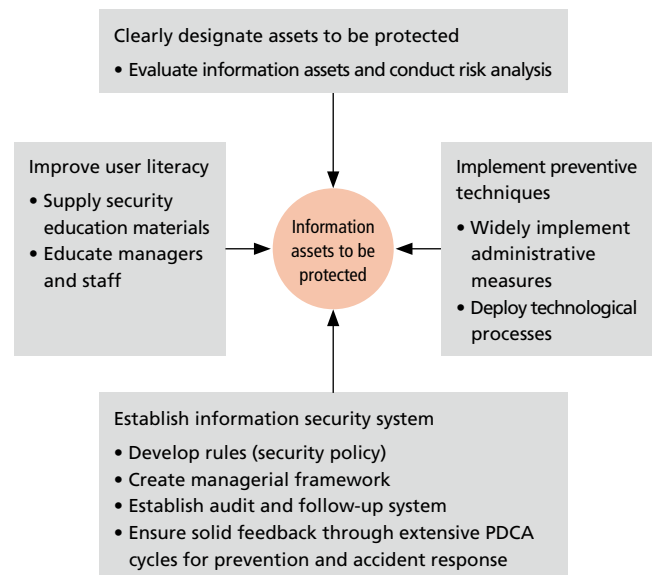
Promoting Information Security

The Information Security Committee, chaired by the Chief Information Security Officer, determines our information security policies and procedures. The Information Security Promotion Council and other bodies convey decisions internally and to other companies in the Hitachi Group. Information security officers at business sites and companies ensure that these decisions are implemented in the workplace.

The Hitachi Group emphasizes two points in information security and personal information protection:

- (1) Precautionary measures and prompt security responses
We classify assets to be secured and take safeguarding measures based on vulnerability and risk analyses. We also have an emergency manual for security breaches, based on the assumption that these are inevitable, and not just possible.
- (2) Promoting stronger ethical and security awareness among data users
We have prepared a program tailored to Hitachi's various personnel levels and are working to raise the prevailing sense of ethics and security awareness through Group-wide e-learning. We are also conducting audits to identify and address problems early on.

Basic Approach to Information Security Governance



Compliance

We carry out our business not only in full compliance with legal requirements but also in ways that ensure socially responsible conduct. Spreading understanding of this among all Hitachi employees is a fundamental management issue. As economic activity becomes increasingly borderless, there is a growing need for steps to eradicate bribery, corruption, and other illegal behavior in accordance with conditions in the countries and regions where we have operations. As a global company, we are implementing a consistent compliance structure across the entire Hitachi Group.

Enhancing Our Compliance Framework

To comprehensively implement our compliance framework, we have appointed a senior executive as the head of risk management for the entire Hitachi Group. Every in-house company and key Group company also has an executive handling risk management, assisted by a compliance manager (CM). We are also supporting regional Group companies and have appointed compliance heads in 11 regions globally.

Under this system, policies and measures are shared through the Compliance Management Conference, composed of risk management executives from in-house companies and key Group companies. In addition, all CMs meet regularly at the Hitachi Group Compliance Conference to provide information on compliance and to confirm implementation of required actions.

The Advisory Committee, consisting of outside experts, convenes regularly to exchange views on the state of compliance initiatives. The insights provided by committee members are utilized to improve policies and actions.

The internal audit section regularly conducts Group-wide reviews to verify that each area of compliance is being appropriately operated. In cases where the reviews identify necessary improvements, corrective measures are swiftly implemented.

Compliance Reporting System

Hitachi has instituted a Group-wide whistleblowing system to prevent illegal and unethical behavior, to promptly address infractions, and to enhance our ability to self-regulate. In this system, reports go directly to the Compliance Department at Hitachi or to an outside attorney. This system can be used not only by employees within the Hitachi Group, who are able to report issues through in-house channels, but also by former employees, temporary staff, and suppliers.

In addition, we have implemented the Channel to the Board of Directors system to allow employees to directly report problems anonymously to Hitachi directors. The facts related to all reports are subject to thorough investigation and checking, and people who have identified themselves in the reports are informed of the investigation results. We make every effort to appropriately deal with situations, including taking remedial action where necessary.

Thorough Export Controls

For basic export control policies, we adopt the Hitachi Standards of Corporate Conduct, which state: "We shall help maintain international peace and security through compliance with trade-related laws and regulations." We established the Corporate Regulations concerning Security Export Control based on this policy in 1987. We carry out strict export control practices in line with relevant laws and regulations, screening all goods and technologies intended for export against such factors as destination countries and regions as well as intended end use and end users. We provide guidance and educational support to Hitachi Group companies to ensure that all Group companies follow the same export control policies. In fiscal 2015, we held workshops for Group companies in the United States, South Korea, and India providing practical training on export control. During this period an e-learning program in Japanese, English, and Chinese—Export Controls of the Hitachi Group (Introductory Course)—was introduced and taken by around 113,000 employees at Group companies worldwide.

Measures to Prevent Bribery and Corrupt Practices

To deal with global bribery and corruption risks, in fiscal 2013 we referred to the *US Foreign Corrupt Practices Act Resource Guide** and other documents to develop various corruption risk scenarios. These were used as the basis for a survey conducted at Hitachi Group companies outside Japan. By analyzing the survey results, we identified several companies at risk from corruption. We are monitoring and working with those companies with the goal of reducing corruption worldwide.

In 2015 we also created a set of revised rules regarding prevention of bribery and corrupt practices, which were globally adopted by Hitachi Group companies.

That same year we released a global version of an e-learning program regarding the fundamentals of preventing bribery and corrupt practices to be utilized among Group companies worldwide.

* The US Foreign Corrupt Practices Act consists of antibribery provisions regarding foreign government officials and transparent accounting provisions within the Securities Exchange Act. Enforced by the Department of Justice, it prohibits bribes to foreign government officials. Transparent accounting, enforced by the Securities and Exchange Commission, requires companies to show transactions fairly and accurately in their accounting records and to maintain effective internal control over accounting.

Preventing Violations of Fair Competition Laws

Hitachi engages in business based on the principles of conformance with the law and business ethics and fair and disciplined competition.

However, Hitachi, Ltd. was found to have impaired the fairness of a public bid in fiscal 2002 and was penalized in September 2006, October 2008, and March 2009 for violating the Japanese Antimonopoly Law. In November 2012, a subsidiary dealing in automotive components was penalized by the Japan Fair Trade Commission for violating the Antimonopoly Law. In September 2013, the same company was prosecuted by the US Department of Justice for violating American antitrust laws, resulting in a plea bargain, and in January 2016 the company reached a settlement with the European Commission for a violation of EU competition laws.

We are working to prevent further violations and to broaden awareness of compliance issues, including publicizing messages from top executives, developing company regulations, conducting regular audits, and providing education and training to employees based on a compliance manual. In fiscal 2015, we held group education sessions on the Antimonopoly Law for 1,263 participants, including all Hitachi sales managers. We also released an e-learning program on the fundamentals for compliance with competition laws and implemented it at Hitachi Group companies globally.

Through these initiatives we will continue working to improve and enhance our compliance framework.

Implementing Thorough Tax Compliance

In January 2016, we established a set of tax-related regulations with which the entire Group must comply. In connection with the globalization of our business, we are implementing risk management for taxation that focuses in particular on the points listed below.

- (1) Group companies strictly comply with all relevant laws and implement tax management when pursuing their business activities, bearing in mind such international tax-compliance standards as the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations of the Organisation for Economic Co-operation and Development (OECD), as well as that body's Action Plan on Base Erosion and Profit Shifting (BEPS).
- (2) Group companies effectively, continually, and proactively manage tax-related issues as socially responsible organizations, while maintaining Hitachi brand value and seeking to maximize shareholder value.
- (3) Group companies build sincere and positive relations of trust with the tax authorities in the regions where the companies do business, and strive to maintain and develop those relations.

Achieving a Fair and Equitable Work Environment

Hitachi has a human resource strategy that emphasizes the concept of “decent work.” This concept has taken on increased importance globally as a standard for labor practices, with the International Labour Organization, for example, positioning the concept as an important objective of its activities. Companies are expected to ensure decent work through policies appropriate to their businesses.

Hitachi’s Thinking on Decent Work

Human resources are key to Hitachi’s ability to adapt to rapid social and environmental change and continue providing new value to customers. Diversity and inclusion are crucial to our strategy, and throughout the Hitachi Group we promote HR management practices that maximize the strength we can draw from a diverse, highly engaged workforce transcending national and corporate boundaries. Our globally shared leadership development program fosters leaders who champion our Social Innovation Business around the world, while a range of other training programs help employees obtain the knowledge and skills they need to provide innovative solutions to our customers.

Hitachi also views it as crucial to create a work environment in which each employee can engage meaningfully in productive work. As part of efforts in this area, we have unified performance review standards worldwide in a highly transparent and fair system for evaluating each employee’s achievements. We have also enacted safety policies that apply across the entire Hitachi Group, and continue striving globally to create workplaces that offer safety and peace of mind to those who work there. Other initiatives aim to make it easier to achieve work-life balance, reduce work hours, and promote healthy lifestyles among employees. Additionally, we conduct an annual survey of employee engagement levels across the Group, using the results as the basis for further improvement in management practices.

A Strategy for Growing Together with Our Global Human Capital

The Hitachi Group, with a combined workforce of around 340,000 people engaged together in business activities in countries and regions around the world, is promoting a global human capital management strategy. We are fostering human capital through a diverse array of initiatives, such as hiring and promoting to management positions non-Japanese personnel, drafting measures to share values and promote mutual understanding, and formulating programs to develop human capital capable of meeting the needs of global operations.

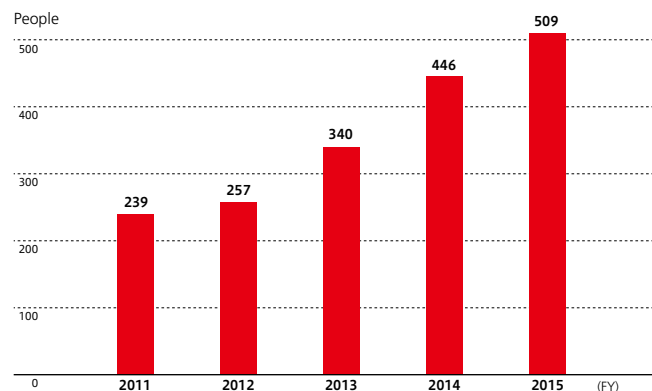
Advancing Global Human Capital

Our Group-wide global human capital management strategy optimizes both human resources and organizational performance in pursuit of Hitachi’s goal of becoming a major global player.

One example of our initiatives is the Global Human Capital Database covering all Hitachi Group employees, excluding factory workers outside Japan. This database enables us to fully ascertain the status of worldwide Group human capital and to assess macro management data, such as the allocation of human resources. We have also built a global grading system that applies to all managers in the Hitachi Group worldwide, using it as a common platform for job evaluations throughout the entire Group and as a common standard for assessing the value of management duties.

In addition, we introduced a performance management system at Hitachi, Ltd. and at some Group companies worldwide to link the operational business goals and individual skills, with the aim of mutual sustained improvement and growth of both businesses and individuals. This system will be expanded to include more companies. With an eye to supporting the advancement of employees as our global operations expand, we are introducing common global hiring systems to secure talented personnel, boost efficiency, and reduce hiring costs.

Non-Japanese Employees (Hitachi, Ltd.)



Global Recruiting and Globalizing Human Capital

As a means of opening up global markets, we have been accelerating the globalization of human capital in Japan through three initiatives: (1) recruiting personnel in Japan who can promote global operations, (2) providing more young Japanese employees with experience outside Japan, and (3) comprehensively implementing globally unified management training.

With an eye on the globalization of our business, we are committed to hiring activities that secure the right personnel. In principle, we categorize all employees graduating from universities and technical colleges as global business personnel who can contribute to driving our global operations. Our priority for employing global business personnel is to attract people who are eager to build their foreign language skills and relish the challenge of working in different cultures, social settings, and work environments.

Career Development Support

There are differences among individual employees with regard to what they find fulfilling in their lives and careers. Bearing this in mind, Hitachi has developed a broad range of career development support that focuses on employees' "internal careers," namely, their individual values and views on the significance and meaning of their work. In addition to ensuring that these individuals can fulfill their potential and maximize their creativity, our aim is also to link that individual growth to the positive outcomes and growth of the organization, thereby enhancing our corporate value. Along with promoting self-understanding and fostering strong individuals with the independence and autonomy needed to think and act for themselves, we also are providing support to create a framework for the organization to benefit from the engagement and motivation of individual employees and to enhance mutual understanding as a way of fostering the teamwork needed to enhance organizational strength and performance.

Future Initiatives for Career Development

In pursuit of becoming a major global player, we are prioritizing individual and organizational performance. We create value built on employees' individuality and personal aspirations by implementing Hitachi's Global Performance Management (GPM) grounded in diversity and the individual. We are also committed to supporting career development by fostering communication and mutual understanding between employees and their organizations based on programs encouraging individual employees to take greater control of developing their own careers. In these ways, we provide the resources and tools that enable a wide range of people to work together with enthusiasm.

Conducting a Global Employee Survey

Since fiscal 2013, we have been conducting the annual global employee survey, Hitachi Insights, as a way of measuring employee engagement.* In September 2015, the survey was administered for the third time. Around 210,000 employees worldwide were sent the survey in one of 13 different languages, and roughly 170,000 responses were received. For the second consecutive year, the results in all 13 categories improved compared to the previous fiscal year's results. The year-on-year improvements were the outcome of the in-house departments and organizations examining the results and implementing improvements, in line with the PDCA (plan, do, check, act) approach. We intend to continue making improvements.

Overall, among the 13 categories, Hitachi scored well as in previous surveys in "pride in your company" and "your supervisor's management," but less well for the category "resources and support." This suggests that employees are proud to be part of a company that is aiming to grow along with society through its Social Innovation Business, but that many employees felt that Hitachi can do better on the level of staffing as well as information and resource tools. In addition, in fiscal 2015 we expanded the range of an initiative begun in the previous fiscal year to directly send the survey results to section and department heads so that they can confirm the survey results and communicate with their team members, with the aim of promoting concrete initiatives. In fiscal 2016, in line with our Mid-term Management Plan, the content of the survey will be revised, along with providing support to in-house workplaces to continually implement the PDCA cycle, as a way to further enhance the level of engagement within Hitachi as a whole.

* Hitachi uses the term "engagement" to refer to employees' understanding of the Company's strategies and policies, as well as their job satisfaction and desire to take actions on their own initiative to bring about results.

Promoting Diversity and Inclusion

Hitachi believes that building a corporate culture that fully draws on the diversity of human capital, in terms of gender, age, and values, not only offers employees an opportunity to approach their work with enthusiasm but also contributes to enhancing competitiveness through the provision of solutions that incorporate diverse perspectives. In recent years, with the growing interest among stakeholders for personnel policies enabling flexible work styles, we are taking a proactive stance toward implementing this approach. We are also establishing key performance indicators to help expand career options for female employees.

With the strong commitment of top management, we aim to promote diversity as part of our management strategy and become a company that makes full use of our diverse human capital.

Diversity and Inclusion

Diversity is the wellspring of our innovation and our growth engine. Hitachi regards personal differences—gender, nationality, work history, age, sexual orientation, and philosophy—as facets of people’s individuality. By respecting our employees’ individualities and positioning them as an advantage, Hitachi frames its diversity and inclusion as conducive to both the individual’s and the Company’s sustainable growth. With strong teamwork and broad experience in the global market, we will meet our customers’ needs.

Since the 1990s, we have been at the social forefront, supporting women and other members of our multifaceted workforce. This includes setting up systems to help balance work with child and nursing care. Entering Phase 3 of our diversity management roadmap, we are embracing diversity as a management strategy under the initiative slogan “Diversity for the Next 100.” This means creating an environment where women and other members of our varied workforce can use their skills in leadership and business management.

Development Structure of Diversity Management

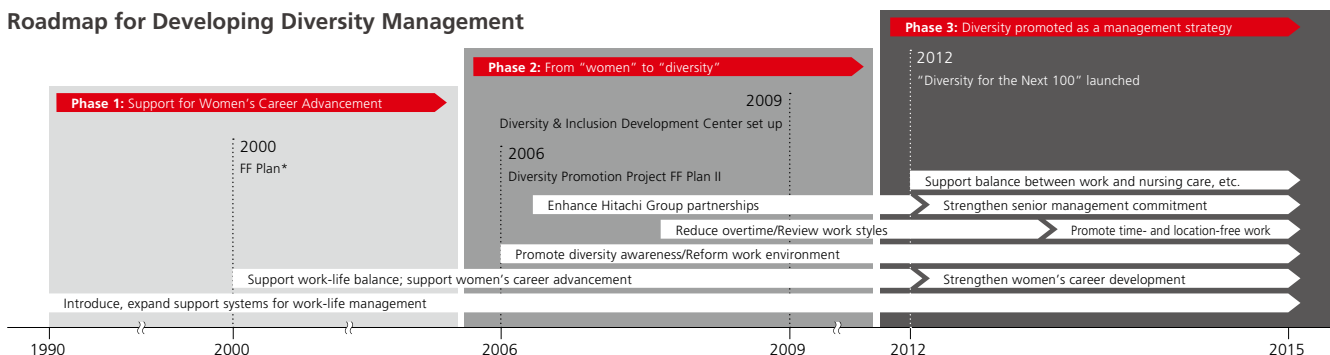
The Diversity Development Project, launched in fiscal 2006 under the president’s direct control, was replaced in fiscal 2009 with the Diversity & Inclusion Development Center, which currently operates under the direct supervision of the Human Capital Group.

Hitachi and 20 Group companies jointly operate the Advisory Committee and the Diversity Development Council to accelerate awareness across Hitachi as a whole, including support for diverse human resources and work-life management. The Advisory Committee ensures follow-through on our diversity management policy, while the Diversity Development Council discusses specific activities and shares best practices. Both meet every six months.

Group companies and business groups/sites have also set up their own diversity-promotion organizations and projects, such as those to help develop women’s careers, in order to enhance initiatives geared to the challenges faced by individual workplaces. We also hold regular meetings to exchange opinions on diversity with labor unions.

In Europe, too, we are accelerating the pace of our diversity and inclusion initiatives on the basis of establishing the D&I Steering Committee in January 2016. The committee, which convenes every quarter, is made up of executives from the seven main Hitachi Group companies in Europe, including Hitachi Europe Ltd., Hitachi Rail Europe Ltd., and Hitachi Data Systems Corporation. The three main areas addressed are “the creation of a diversity and inclusion framework,” “career development,” and “communication.” Members are assigned to each area and lively discussions are held in order to formulate and implement plans to promote diversity and inclusion.

Roadmap for Developing Diversity Management



* The Gender-Free and Family-Friendly (FF) Plan is an initiative to create a better work environment by supporting efforts to balance work and family life and supporting women in the workplace.

Promoting Occupational Health and Safety

As a corporate group that engages in multinational business activities, building safe, healthy, and hygienic workplace environments at business sites around the world is a Group-wide management task for Hitachi. This means that we must be sure to take into careful consideration the social conditions and workplace environment of each country and region.

Hitachi has thoroughly implemented measures for occupational health and safety since its founding. Currently, we are advancing a global occupational health and safety system based on the concept of decent work while also drawing on the lessons and knowledge gained at workplaces in Japan.

Fundamental Idea for Occupational Health and Safety

Ensuring the health and safety of all employees is the basic principle underlining the Hitachi Group Health and Safety Policy. This policy is shared by all Hitachi Group companies around the world. Employees work together to create safe, secure work environments that aim to be accident free.

Hitachi Group Health and Safety Policy

Principle

“Health and Safety Comes First.”

Policies

In accordance with our mission, “Contribute to society through the development of superior, original technology and products,” the Hitachi Group will endeavor to ensure safe and healthy workplaces under the principle of “Health and Safety Always Comes First.”

To accomplish this, we will:

1. Continually be involved in health and safety activities in order to prevent work-related injuries and sickness by designating the health and safety of employees as management’s top priority.
2. Comply with the local laws and regulations in each company regarding health and safety.
3. Develop a safe and comfortable work environment by encouraging employees to maintain their own health and taking a proactive stance on health and safety activities in the workplace.
4. Require an understanding of Hitachi’s principle and the promotion of health and safety awareness from all business partners of the Hitachi Group.
5. Contribute to the creation of a safe and pleasant society by emphasizing activities that make health and safety a top priority in all of Hitachi’s business activities.

Revised November 2013

Framework for Promoting Health and Safety

Hitachi views occupational health and safety as vital preconditions for advancing our Social Innovation business. We promote a range of Group-wide occupational health and safety activities that include preventing workplace accidents by setting and applying minimum safety standards to be observed by Group manufacturers around the globe and by taking into consideration the specific conditions at each company. We respond quickly when an accident occurs, using incidents to make improvements and boost our levels of health and safety management.

In accordance with Japanese law, a health and safety commission—composed of company representatives, labor union officials, and employees—is organized at each business site and is convened every month to discuss and share information related to such issues as workplace accident causes and countermeasures, the situation regarding employees who have taken sick leave, and other points of concern.

In fiscal 2011, we introduced the Hitachi Group Key Safety Management Designation System. This initiative tracks key safety management improvements at Hitachi Group companies and business sites in Japan that have experienced serious work accidents. Under the leadership of top executives, these companies and business sites take on management-driven and bottom-up initiatives to formulate and promote specific improvement plans. We are also reshaping the Group’s safety management framework and introducing targeted safety measures, including extensive investigations of the cause of serious accidents, reviews of risks to reduce potential accidents, and engagement of third parties with a high level of health and safety expertise to diagnose safety issues.

In fiscal 2015, we became able to grasp our safety management level overseas through the application of safety statistics and minimum standards. Moving forward, we aim to continually make improvements to further raise the level of safety.

Respect for Human Rights Throughout the Value Chain

Hitachi respects international human rights norms in every country and region and strives to continuously and thoroughly implement those norms. Along with putting into practice the Hitachi Group Human Rights Policy and other guiding principles, we are implementing educational activities targeting company executives and employees at each Group company on an ongoing basis. At the same time, company executives are taking the lead in analyzing potential risks within the business process and creating an organization in which human rights infringements do not occur.

We also have been putting in place a system for implementing human rights due diligence from the perspective of preventing any involvement with human rights violations, and in fiscal 2015 we expanded the system to include our supply chain.

Human Rights Initiatives

In May 2013, we adopted the Hitachi Group Human Rights Policy to supplement the Hitachi Group Codes of Conduct, drawn up in fiscal 2010. In this policy, we clarify our understanding of human rights as being, at a minimum, those outlined in the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. This policy shapes Hitachi's approach to meeting the responsibility to respect human rights, including implementing human rights due diligence*1 in line with the UN Guiding Principles on Business and Human Rights,*2 providing appropriate education to employees, adhering to national laws and regulations in all the regions and countries where we operate, and seeking ways to honor the principles of international human rights when faced with conflicts between internationally recognized human rights standards and national laws.

In fiscal 2014, Hitachi added the perspective of Business and Human Rights to its existing structures and policies and developed a guidance on human rights due diligence that explains procedures for everyday business practices. Based on this guidance, in fiscal 2015 we initiated human rights due diligence in procurement, assessing and prioritizing human rights risks in the supply chain and considering measures to reduce these risks.

*1 Human rights due diligence: An ongoing process to identify and assess potential and actual human rights impacts, integrate findings, and take appropriate action to prevent or mitigate potential impacts or to provide for or cooperate in remediation of actual impacts. The processes also cover tracking the effectiveness of actions to address impacts and communicating externally.

*2 UN Guiding Principles on Business and Human Rights: Included in the March 2011 Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie (A/HRC/17/31).

Hitachi Group Codes of Conduct

<http://www.hitachi.com/corporate/about/conduct/index.html>

Hitachi Group Human Rights Policy

http://www.hitachi.com/csr/renew/pdf/human_rights_policy.pdf

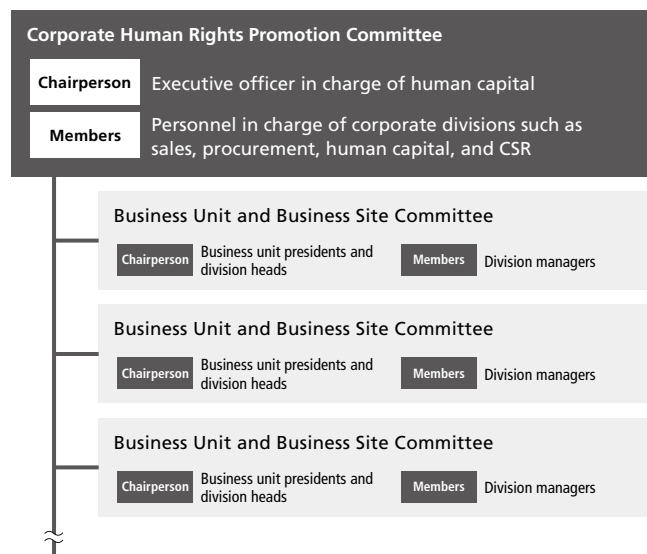
Framework for Human Rights

Hitachi, Ltd. established the Corporate Human Rights Promotion Committee in fiscal 1981 to gauge the impact of business activities on stakeholders' human rights and to deliberate on mechanisms and policies for preventing human rights violations. The executive

officer in charge of human capital chairs this body, whose members include representatives from sales, procurement, human capital, CSR, and other corporate units. Hitachi is improving its Group-wide human rights awareness based on the guidelines discussed and written by the Corporate Human Rights Promotion Committee. Information from deliberations is shared with all employees through business units and business site committees, led by business unit presidents and division heads. Business units provide consultation services through which employees can seek consultation on issues such as sexual harassment and are working to ensure that those coming forward are treated with respect and dignity.

In a practice launched in fiscal 2014, we distribute a human rights message by Representative Executive Officer, President, and CEO Toshiaki Higashihara every year on December 10, Human Rights Day. In fiscal 2015, approximately 148,000 executives and employees at Hitachi, Ltd. and Group companies in and outside Japan received an e-mail message regarding global trends in human rights, Hitachi's human rights policy and activities, and the importance of individual employees respecting human rights in their work.

Hitachi, Ltd. Framework for Promoting Respect for Human Rights



Engaging in Responsible Procurement

As a company that procures products and services from suppliers in regions and countries around the world, Hitachi was quick to introduce policies on CSR and green procurement. Moreover, Hitachi has taken the lead in responding to the issue of conflict minerals, which has been the focus of public interest in recent years, by scrutinizing the countries where raw materials are mined in order to prevent the infringements on human rights by countries engaged in conflict.

Raising Human Rights Awareness Among Executives and Employees

Hitachi conducts regular group training and seminars and uses videos to educate employees in each business unit and Group company. The target is for each employee to attend these sessions at least once every three years (equivalent to a yearly participation rate of 33.3%). In fiscal 2015, the participation rate came to 71.8% at Hitachi, Ltd. and 46.0% among Group companies. We also offer an e-learning program on business and human rights, launched in June 2013; as of March 2015, approximately 187,000 Group employees in Japan and elsewhere had taken the program. Using educational materials developed in line with the Hitachi Group Human Rights Policy, adopted in May 2013, the program aims to ensure that employees understand Hitachi's human rights policy and act accordingly. The training is provided to all employees once every three years on average, taking into account human rights trends worldwide.

In July 2015, moreover, 25 Hitachi, Ltd. executive officers participated in an officer training session on the theme of human rights in global businesses, led by Takaji Hishiyama of the Center for Corporate Behavior. Touching on several cases, Hishiyama discussed what the international community expects of corporations regarding respect for human rights and how human rights risks translate into business risks, among other topics.



A scene from the officer training session.

CSR Supply Chain Management Framework

Given the global reach of Hitachi's business, there is a growing likelihood of supply chain risks creating management problems, and we are working hard to identify and mitigate these risks beforehand as much as possible. We established a CSR/Ecological Procurement Promotion Center within the Hitachi headquarters in fiscal 2011. We have also established the Hitachi Group CSR Green Procurement Committee, which includes committee members from in-house and key Group companies. This completes a framework that will enable our CSR supply chain management and green procurement philosophy and initiatives to be shared throughout the Group.

In order to share the philosophy of Hitachi among our suppliers, in fiscal 2015 we also introduced a new initiative to provide suppliers directly with information in a face-to-face format, in addition to the information shared on the Hitachi website as well as our CSR monitoring, CSR audits, and other measures. The first of these face-to-face events was held in January 2016 at a CSR and green procurement seminar held in Shanghai for Hitachi Group partners in China. The event was attended by 15 people from 12 companies, primarily suppliers in eastern China. At the seminar, Hitachi explained topics including its fundamental CSR philosophy, the CSR audit situation, regulatory trends under Chinese environmental laws, and Hitachi's related policies. Feedback from participants included a comment from one person who was "impressed by the emphasis the Company places on not only *monozukuri* craftsmanship but also on fulfilling its social responsibility in a range of areas." Another participant "gained a sense that profitability is not the sole aim and that it is important to adhere to environmental laws." As reflected in the comments, the seminar served to deepen the understanding of Hitachi initiatives related to CSR and green procurement.

Guidelines for Procurement Activities

http://www.hitachi.com/procurement/policy/___icsFiles/afieldfile/2010/08/30/guidelines.pdf

Procurement Policy

<http://www.hitachi.com/procurement/policy/index.html>

CSR/Green Procurement

<http://www.hitachi.com/procurement/csr/index.html>

Helping Resolve Environmental Issues Toward 2050

The world's population, which was 7.3 billion in 2015, is projected to grow to 9.7 billion by 2050 and to 11.2 billion by 2100.*¹ Global GDP is also continuing to expand—led by emerging economies—aggravating a host of environmental problems, including global warming caused by higher CO₂ emissions from fossil fuel consumption, the depletion of resources due to increased demand, and ecosystem destruction. Global-scale efforts are being made to develop approaches that lighten the burden on the environment so that a prosperous planet can be passed on to future generations.

Hitachi strives to achieve a more sustainable society by addressing environmental problems, which pose a major challenge for society, based on its corporate mission of contributing to society through the development of superior, original technology and products.

*1 According to *World Population Prospects: The 2015 Revision*, published by the United Nations.

Hitachi's Environmental Vision

As global warming, resource depletion, ecosystem destruction, and other environmental issues grow more serious, the international community is working together to tackle these problems, such as by adopting the Paris Agreement that includes a target to keep global warming to below 2°C. From an environmental-management perspective, Hitachi, which promotes the Social Innovation Business, has established the Environmental Vision and defined the kind of society we envision in the long term in contributing to the resolution of global environmental issues.

Environmental Vision

Hitachi will resolve environmental issues and achieve both a higher quality of life and a sustainable society through its Social Innovation Business in collaborative creation with its stakeholders.

Long-Term Environmental Targets: Hitachi Environmental Innovation 2050

Our Environmental Vision envisions a low-carbon society; a resource efficient society; a harmonized society with nature. To achieve such a sustainable society, we have newly established a set of long-term environmental targets called Hitachi Environmental Innovation 2050.

To create a low-carbon society, we aim to achieve 80% reductions in CO₂ emissions by fiscal 2050 across the value chain in line with ambitious targets set in the Paris Agreement. Toward that end, we will enhance the efficiency of our products and services, supply low-carbon energy, and develop innovative technologies and solutions.

To achieve a resource efficient society, we will do our utmost through our business operations, together with our customers and society, to help build a society that uses water and other resources efficiently. We will also improve our usage efficiency of water and other resources in our business operations by 50% by fiscal 2050.

To achieve a harmonized society with nature, we will strive to minimize Hitachi's impact on natural capital, which bestows the benefits of nature on humankind.

Hitachi Environmental Innovation 2050

Low-Carbon Society

- Achieve **50% reductions** in CO₂ emissions by fiscal 2030 and **80% reductions** by fiscal 2050 across the value chain (compared to fiscal 2010)

Resource Efficient Society

- **Build a society that uses water and other resources efficiently**
- Achieve **50% improvement** in usage efficiency of water and other resources by fiscal 2050 (compared to fiscal 2010 in the Hitachi Group)

Harmonized Society with Nature

- **Minimize** the impact on natural capital

Reducing the Environmental Burden of Our Business Operations (Fiscal 2015 Results)

The Environmental Action Plan for 2013 to 2015 encompassed many themes, such as promoting Eco-Products, reducing CO₂ emissions, and using resources efficiently. Three years of improvement activities were concluded in fiscal 2015 with many positive results.

Environmental Action Plan for 2013 to 2015: Achievements

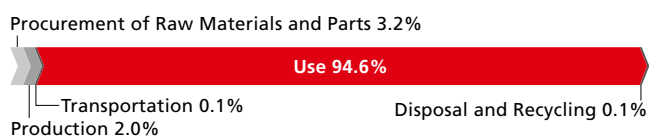
Category	Items	Indicators	Fiscal 2015 targets	Fiscal 2015 results
Establish Environmental Management Systems	Raise the level of environmental activities	GPs (green points) in GREEN 21 Environmental Activity Evaluation System	640 GPs	646 GPs
	Ecosystem (biodiversity) preservation	Implementation of ecosystem preservation assessment	Completion of ecosystem preservation assessment	Completed ecosystem preservation assessment
Promote Eco-Products	Expand Hitachi Eco-Product lineup	Percentage of Hitachi Eco-Product sales	90%	95%
		Number of models in Eco-Products Select program	340 models	409 models
Build Industry's Most Advanced Factories and Offices	Promote Eco-Factories & Offices Select certification	Eco-Factories & Offices Select certification	Average of at least 1 certification per in-house or Group company	New certifications: 15 Renewed certifications: 58 Total: 73
Prevent Global Warming	Reduce energy use per unit	Reduction in energy use per unit (base: FY 2005, global)	15%	16%

For details about initiatives to address major indicators other than those above, please refer to the CSR section of our website.

Calculation of GHG Emissions Throughout the Value Chain

We calculate greenhouse gas (GHG) emissions throughout the entire value chain to more effectively reduce these emissions. As over 90% of emissions come from use of the products we have sold, we are working to reduce emissions by developing Eco-Products that meet environmentally conscious criteria throughout their life cycle.

GHG Emissions Throughout the Hitachi Value Chain



Increasing the Ratio of Eco-Products

We promote the development of environmentally conscious products called Eco-Products as part of our initiative to reduce the environmental burden of our products and services as much as possible.

Eco-Products must meet criteria used in the design and development stages, when we evaluate the extent to which their environmental burden can be reduced. Until fiscal 2015, we promoted the development of Eco-Products by setting targets for raising the Eco-Product sales ratio, a figure measuring Eco-Product sales against total product sales. In fiscal 2016, we will launch new initiatives with the aim of helping to resolve environmental issues by developing and expanding the use of products and services with high environmental value.

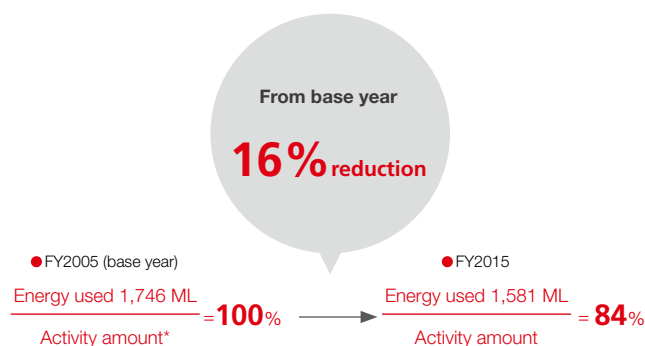
▶ [Key Indicators] Eco-Product Sales Ratio (Please refer to page 55.)

Global Warming Countermeasures in Factories and Offices

We are promoting ways to use energy more efficiently and reduce GHG emissions during production and transportation, in both manufacturing and nonmanufacturing divisions, to help prevent global warming.

We are working to reduce the energy use per unit as one way to use energy more efficiently. In fiscal 2015, we achieved a reduction of 16% (from fiscal 2005, the base year), surpassing the target of 15%. We are systematically working to improve the energy efficiency of individual lighting equipment and facilities by installing high-efficiency equipment and devices, from LED lighting to inverter air conditioners. In pursuit of more efficient energy use, moreover, we are actively harnessing the control technologies and IT systems that are our forte to conserve energy at our factories and offices.

Reduction in Energy Use per Unit



* A value closely related to the emission factor numerators (environmental burden) of energy use from business activities (for example, production quantity, output, building floor space, and number of employees).

▶ [Key Indicators] CO₂ Emissions (Please refer to page 55.)



About Us

52	Segment Information
54	Financial & Non-Financial Highlights
56	10-Year Financial Data
58	Operating and Financial Review
64	Consolidated Statements of Financial Position
66	Consolidated Statements of Profit or Loss
67	Consolidated Statements of Comprehensive Income
68	Consolidated Statements of Changes in Equity
69	Consolidated Statements of Cash Flows
70	Summarized Consolidated Statements of Financial Position by Manufacturing, Services and Others and Financial Services
71	Summarized Consolidated Statements of Profit or Loss by Manufacturing, Services and Others and Financial Services / Summarized Consolidated Statements of Cash Flows by Manufacturing, Services and Others and Financial Services
72	Corporate Data / Stock Information

Segment Information

Information & Telecommunication Systems



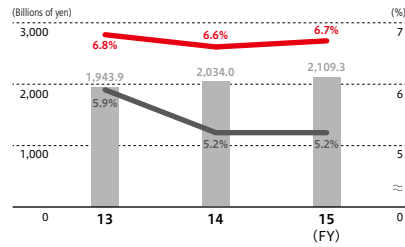
Storage System

Main Products and Services

Systems Integration, Consulting, Cloud Services, Servers, Storage, Software, Telecommunications & Network, ATMs

■ Revenues (left scale) ■ Adjusted operating income ratio (right scale) ■ EBIT ratio (right scale)

Revenues and Profit



Share of Revenues

FY2015

19%

Overseas Revenue Ratio

FY2015

33%

Social Infrastructure & Industrial Systems*1

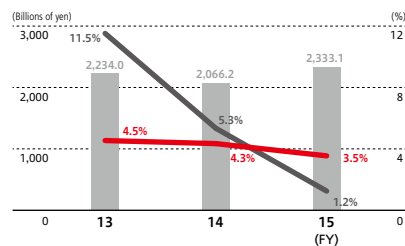


Class800 train for the UK Intercity Express Programme (IEP)

Main Products and Services

Industrial Machinery and Plants, Elevators, Escalators, Railway Systems, Thermal, Nuclear and Renewable Energy Power Generation Systems, Transmission & Distribution Systems

Revenues and Profit



Share of Revenues

FY2015

21%

Overseas Revenue Ratio

FY2015

37%

Electronic Systems & Equipment

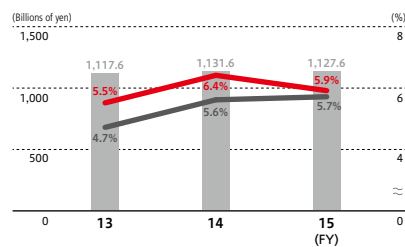


Proton Beam Therapy System

Main Products and Services

Semiconductor Processing Equipment, Test and Measurement Equipment, Advanced Industrial Products, Medical Electronics Equipment, Power Tools

Revenues and Profit



Share of Revenues

FY2015

10%

Overseas Revenue Ratio

FY2015

57%

Construction Machinery

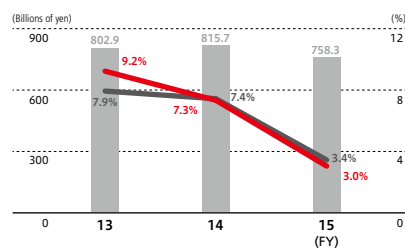


Hitachi Construction Machinery's Ultra Large Hydraulic Excavator and Mining Dump Truck

Main Products and Services

Hydraulic Excavators, Wheel Loaders, Mining Machinery

Revenues and Profit



Share of Revenues

FY2015

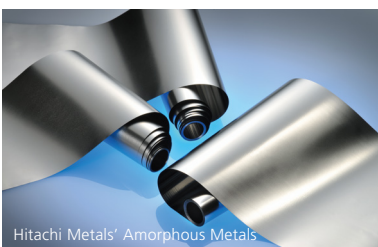
7%

Overseas Revenue Ratio

FY2015

69%

High Functional Materials & Components

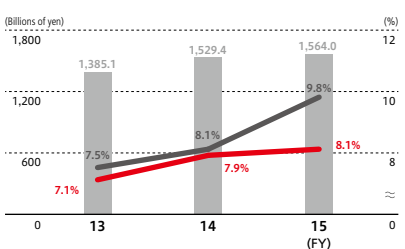


Hitachi Metals' Amorphous Metals

Main Products and Services

Semiconductor and Display Related Materials, Circuit Boards and Materials, Automotive Parts (Molded Plastics, etc.), Energy Storage Devices, Specialty Steels, Magnetic Materials and Components, High Grade Casting Components and Materials, Wires and Cables

Revenues and Profit



Share of Revenues

FY2015

14%

Overseas Revenue Ratio

FY2015

57%

■ Revenues (left scale) ■ Adjusted operating income ratio (right scale) ■ EBIT ratio (right scale)

Automotive Systems

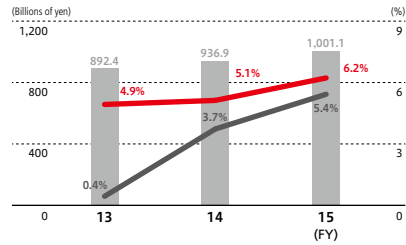


Hitachi Automotive Systems' Inverter

Main Products and Services

Engine Management Systems, Electric Powertrain Systems, Drive Control Systems, Car Information Systems

Revenues and Profit



Share of Revenues

FY2015

9%

Overseas Revenue Ratio

FY2015

58%

Smart Life & Ecofriendly Systems

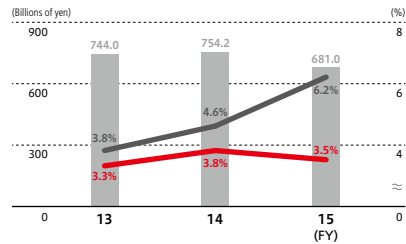


Hitachi Appliances' Large Capacity Refrigerator "Vacuum Compartment" X Series

Main Products and Services

Air-Conditioning Equipment, Room Air Conditioners, Refrigerators, Washing Machines

Revenues and Profit



Share of Revenues

FY2015

6%

Overseas Revenue Ratio

FY2015

34%

Others (Logistics*2 and Other Services)

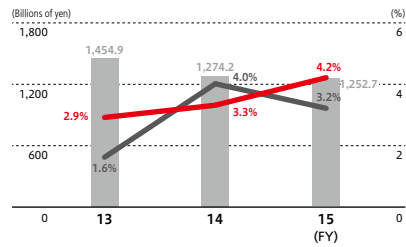


Hitachi Transport System's Truck and Metropolitan East Distribution Center

Main Products and Services

Logistics, Optical Disk Drives, Property Management, Others

Revenues and Profit



Share of Revenues

FY2015

11%

Overseas Revenue Ratio

FY2015

28%

Financial Services*2

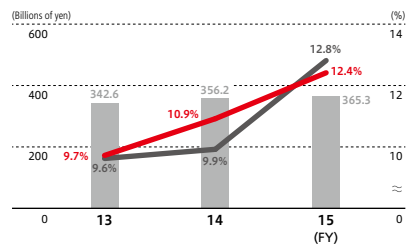


Hitachi Capital's Hitachi Corporate Card

Main Products and Services

Leasing, Loan Guarantees

Revenues and Profit



Share of Revenues

FY2015

3%

Overseas Revenue Ratio

FY2015

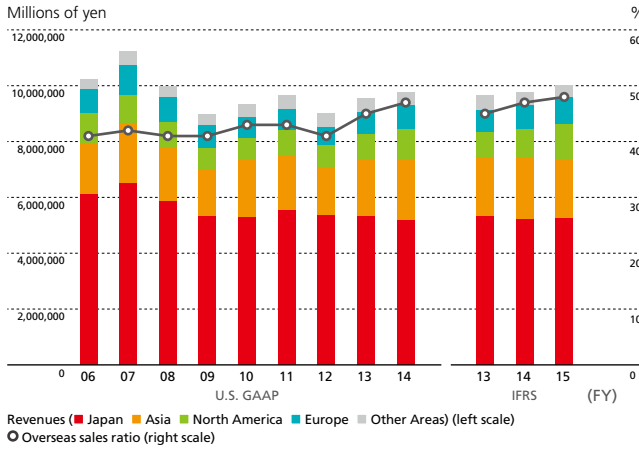
38%

*1 Effective on April 1, 2015, "Power Systems" became part of "Social Infrastructure & Industrial Systems." Figures for each segment, including figures for the previous fiscal year, reflect the new segmentation.

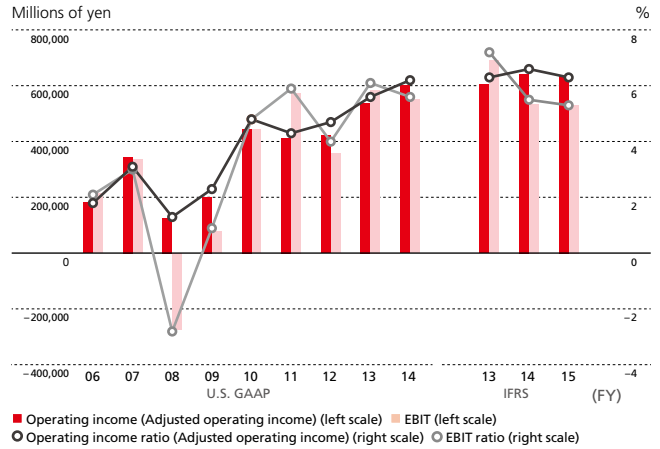
*2 Conversion into equity-method affiliates: Hitachi Transport System, Ltd., in May 2016 and Hitachi Capital Corporation in October 2016 or after

Financial and Non-Financial Highlights

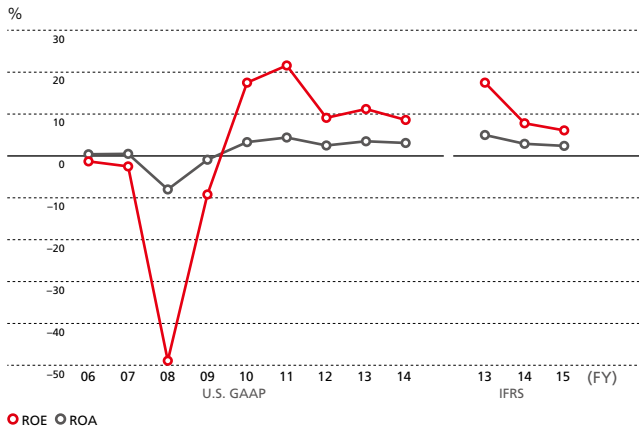
Revenues / Overseas sales ratio



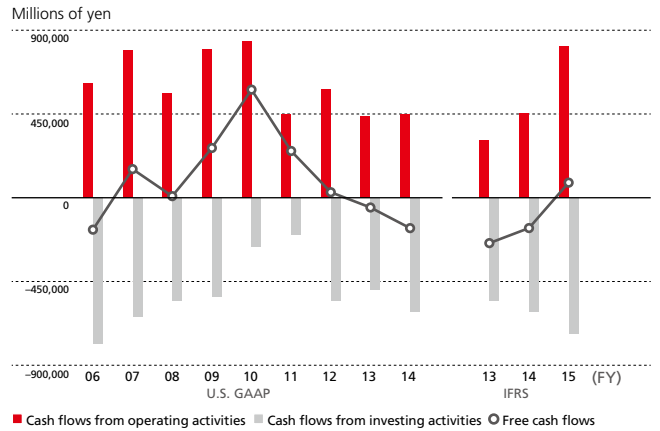
Operating income (Adjusted operating income) / Operating income (Adjusted operating income) ratio / EBIT / EBIT ratio



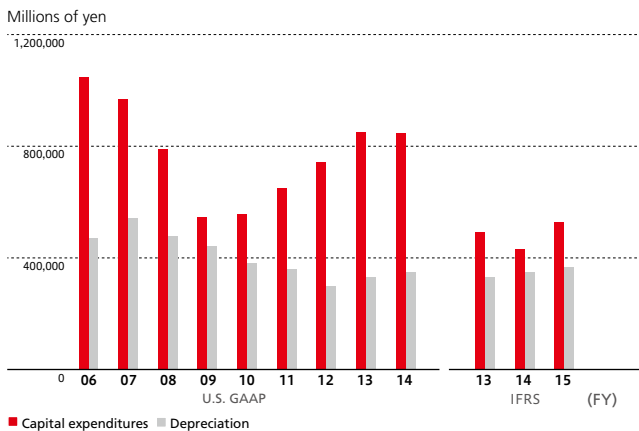
Return on equity (ROE) / Return on assets (ROA)



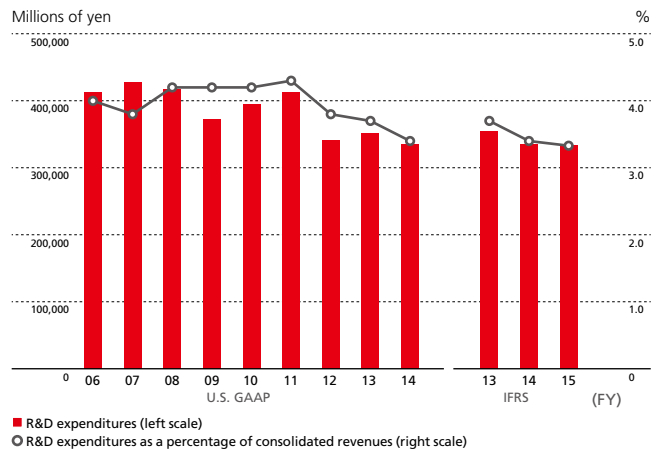
Cash flows



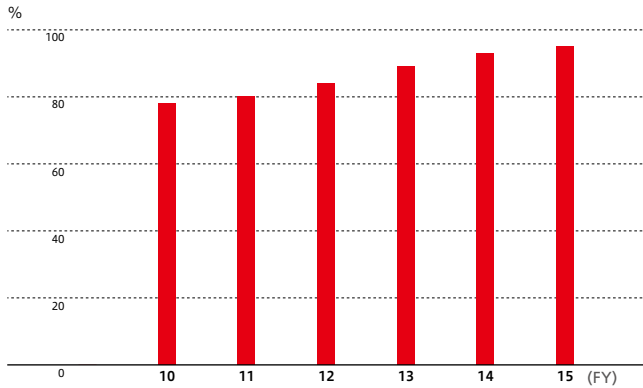
Capital expenditures*1 / Depreciation



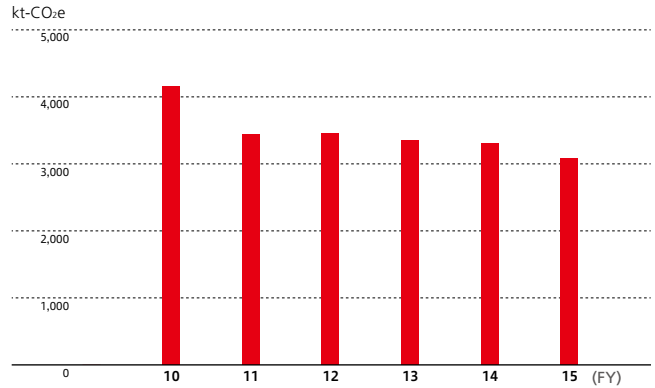
R&D expenditures / R&D expenditures as a percentage of consolidated revenues



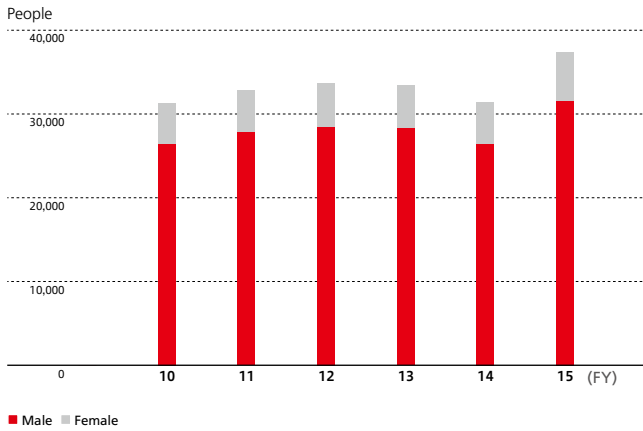
Eco-product sales ratio (sales revenues)



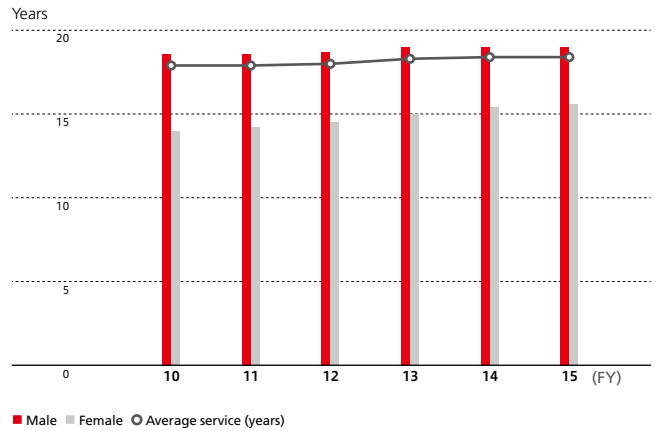
CO₂ emissions



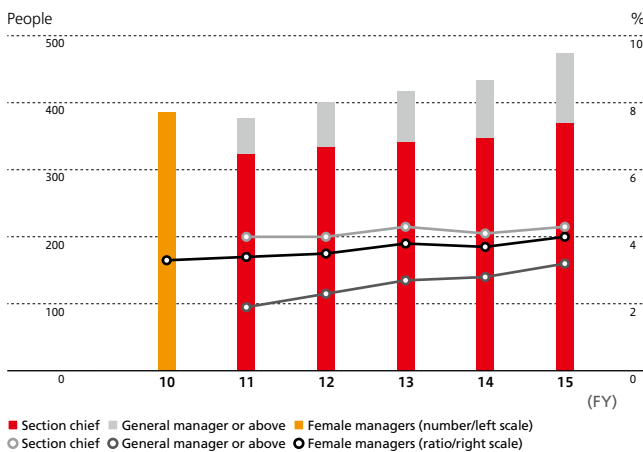
Number of employees*2*3



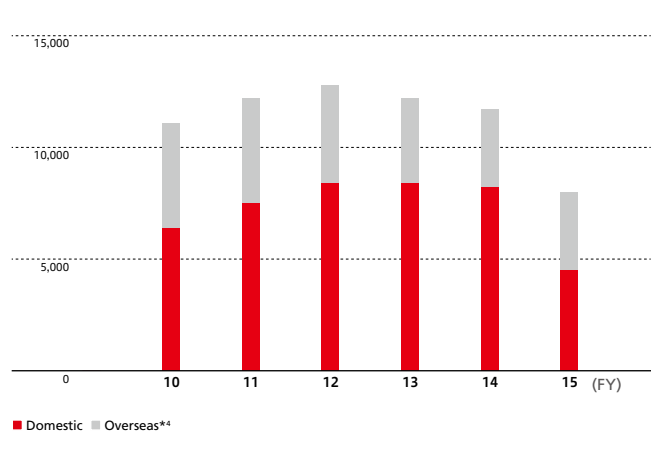
Average service (years)*3



Number and ratio of female managers*3



Number of registrations



*1 From fiscal 2013, capital investment is stated exclusive of investment in lease assets classified as finance leases.

*2 Number of full-time employees

*3 Hitachi, Ltd.

*4 Total number of patents registered in the United States, Europe, and China. The number of patents registered in Europe is based on European patent applications under European Patent Convention (EPC).

10-Year Financial Data

Hitachi, Ltd. and Subsidiaries

U.S. GAAP For the year:	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Revenues	¥10,247,903	¥11,226,735	¥10,000,369	¥8,968,546	¥9,315,807	¥9,665,883	¥9,041,071
Operating income	182,512	345,516	127,146	202,159	444,508	412,280	422,028
EBIT (Earnings before interest and taxes)	214,218	335,729	(275,239)	77,815	443,812	573,218	358,015
Net income (loss) attributable to Hitachi, Ltd. stockholders	(32,799)	(58,125)	(787,337)	(106,961)	238,869	347,179	175,326
Cash flows from operating activities	615,042	791,837	558,947	798,299	841,554	447,155	583,508
Cash flows from investing activities	(786,170)	(637,618)	(550,008)	(530,595)	(260,346)	(195,584)	(553,457)
Free cash flows	(171,128)	154,219	8,939	267,704	581,208	251,571	30,051
Cash flows from financing activities	121,259	(185,556)	284,388	(502,344)	(584,176)	(167,838)	(180,445)
Cash dividends declared	19,974	19,947	9,971	—	36,133	36,727	47,690
Capital expenditures (Property, plant and equipment)	1,048,572	969,087	788,466	546,326	556,873	649,234	742,537
Depreciation (Property, plant and equipment)	472,175	541,470	478,759	441,697	382,732	360,358	300,664
R&D expenditures	412,534	428,171	416,517	372,470	395,180	412,514	341,310
At year-end:							
Total assets	10,644,259	10,530,847	9,403,709	8,964,464	9,185,629	9,418,526	9,809,230
Property, plant and equipment	2,688,977	2,653,918	2,393,946	2,219,804	2,111,270	2,025,538	2,279,964
Total Hitachi, Ltd. stockholders' equity	2,442,797	2,170,612	1,049,951	1,284,658	1,439,865	1,771,782	2,082,560
Interest-bearing debt	2,687,450	2,531,506	2,820,109	2,367,143	2,521,551	2,396,454	2,370,079
Number of employees	349,996	347,810	361,796	359,746	361,745	323,540	326,240
Per share data:							
Net income (loss) attributable to Hitachi, Ltd. stockholders:							
Basic	¥(9.84)	¥(17.48)	¥(236.86)	¥(29.20)	¥52.89	¥76.81	¥37.28
Diluted	(9.87)	(17.77)	(236.87)	(29.20)	49.38	71.86	36.29
Cash dividends declared	6.0	6.0	3.0	—	8.0	8.0	10.0
Total Hitachi, Ltd. stockholders' equity	734.66	652.95	315.86	287.13	318.73	382.26	431.13
Financial ratios:							
Operating income ratio	1.8	3.1	1.3	2.3	4.8	4.3	4.7
EBIT ratio	2.1	3.0	-2.8	0.9	4.8	5.9	4.0
Return on revenues	-0.3	-0.5	-7.9	-1.2	2.6	3.6	1.9
Return on equity (ROE)	-1.3	-2.5	-48.9	-9.2	17.5	21.6	9.1
Return on assets (ROA)	0.4	0.5	-8.0	-0.9	3.3	4.4	2.5
D/E ratio (Including non-controlling interests) (times)	0.76	0.76	1.29	1.04	1.03	0.86	0.75
Total Hitachi, Ltd. stockholders' equity ratio	22.9	20.6	11.2	14.3	15.7	18.8	21.2

Notes: 1 In order to be consistent with financial reporting principles and practices generally accepted in Japan, operating income is presented as total revenues less cost of sales and selling, general and administrative expenses. The Company believes that this is useful to investors in comparing the Company's financial results with those of other Japanese companies.

Under accounting principles generally accepted in the United States of America, restructuring charges, net gain or loss on sales and disposal of rental assets and other property and impairment losses for long-lived assets are included as part of operating income.

2 The restructuring charges mainly represent special termination benefits incurred with the reorganization of our business structures and as the result of the Company and its subsidiaries reviewing and reshaping the business portfolio.

3 EBIT is presented as income before income taxes less interest income plus interest charges.

4 The Company has changed the number of employees to exclude temporary employees starting from the year ended March 31, 2010. The figures for the prior years have been restated to reflect the current year's presentation.

5 Effective from FY2014, a part of the thermal power generation systems business is classified as a discontinued operation in accordance with the provision of ASC 205-20, "Presentation of Financial Statements - Discontinued Operations," which was not transferred to MITSUBISHI HITACHI POWER SYSTEMS, LTD. for the business integration in the thermal power generation systems with Mitsubishi Heavy Industries, Ltd. The results of the discontinued operation are reported separately from continuing operations.

In line with this classification, "Revenues" and "Operating income" for FY2013 are reclassified.

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

Millions of yen		Millions of yen			
FY2013	FY2014	IFRS For the year:	FY2013	FY2014	FY2015
¥9,563,791	¥9,761,970	Revenues	¥9,666,446	¥9,774,930	¥10,034,305
538,288	600,479	Adjusted operating income	604,798	641,325	634,869
585,662	551,018	EBIT	691,230	534,059	531,003
264,975	241,301	Net income attributable to Hitachi, Ltd. stockholders	413,877	217,482	172,155
439,406	447,348	Net cash provided by operating activities	306,777	451,825	812,226
(491,363)	(610,255)	Net cash used in investing activities	(550,179)	(612,545)	(730,799)
(51,957)	(162,907)	Free cash flows	(243,402)	(160,720)	81,427
32,968	250,335	Net cash provided by (used in) financing activities	228,840	233,206	(26,467)
50,711	57,944	Cash dividends declared	50,711	57,944	57,939
849,877	848,716	Capital expenditures (Property, plant and equipment)	491,170	431,201	528,551
329,833	349,614	Depreciation (Property, plant and equipment)	331,228	350,783	366,547
351,426	335,515	R&D expenditures	354,487	334,814	333,730
11,016,899	12,395,379	At year-end:			
2,342,091	2,564,105	Total assets	11,098,191	12,433,727	12,551,005
2,651,241	2,930,309	Property, plant and equipment	2,258,933	2,472,497	2,500,226
2,823,049	3,354,616	Total Hitachi, Ltd. stockholders' equity	2,668,657	2,942,281	2,735,078
320,725	333,150	Interest-bearing debt	3,033,985	3,557,356	3,604,455
		Number of employees	323,919	336,670	335,244
	Yen				Yen
		Per share data:			
		Earnings per share attributable to Hitachi, Ltd. stockholders:			
¥54.86	¥49.97	Basic	¥85.69	¥45.04	¥35.65
54.85	49.93	Diluted	85.66	45.00	35.62
10.5	12.0	Cash dividends declared	10.5	12.0	12.0
549.02	606.87	Total Hitachi, Ltd. stockholders' equity	552.62	609.35	566.48
	%				%
5.6	6.2	Financial ratios:			
6.1	5.6	Adjusted operating income ratio	6.3	6.6	6.3
2.8	2.5	EBIT ratio	7.2	5.5	5.3
11.2	8.6	Return on revenues	4.3	2.2	1.7
3.5	3.1	Return on equity (ROE)	17.5	7.8	6.1
0.73	0.78	Return on assets (ROA)	5.0	2.9	2.4
24.1	23.6	D/E ratio (Including non-controlling interests) (times)	0.78	0.83	0.87
		Total Hitachi, Ltd. stockholders' equity ratio	24.0	23.7	21.8

Notes: 1 In order to be consistent with financial reporting principles and practices generally accepted in Japan, adjusted operating income is presented as total revenues less cost of sales and selling, general administrative expenses. The Company believes that this is useful to investors in comparing the Company's financial results with those of other Japanese companies.

2 A part of the thermal power generation systems business is classified as a discontinued operation in accordance with the provision of IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations," which was not transferred to MITSUBISHI HITACHI POWER SYSTEMS, LTD. for the business integration in the thermal power generation systems with Mitsubishi Heavy Industries, Ltd. The results of the discontinued operation are reported separately from continuing operations.

3 From fiscal 2013, capital investment is stated exclusive of investment in lease assets classified as finance leases.

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

Operating and Financial Review

Operating Results

Effective from April 1, 2015, the Power Systems segment has been integrated to the Social Infrastructure & Industrial Systems segment. Figures for the Social Infrastructure & Industrial Systems segment, including figures for the year ended March 31, 2015, reflect the new segmentation.

Summary

Years ended March 31	Billions of yen		Percent change
	2015	2016	
Revenues	¥9,774.9	¥10,034.3	3%
EBIT	534.0	531.0	-1%
Income from continuing operations, before income taxes	518.9	517.0	0%
Net income attributable to Hitachi, Ltd. stockholders	217.4	172.1	-21%

Analysis of Statement of Operations

Revenues increased 3% to ¥10,034.3 billion, as compared with the year ended March 31, 2015. This was due mainly to higher revenues in the Information & Telecommunication Systems, Social Infrastructure & Industrial Systems, High Functional Materials & Components and Automotive Systems segments, etc. This increase was partially offset by lower revenues in the Construction Machinery, Smart Life & Ecofriendly Systems and Others (Logistics and Other services) segments, etc.

Cost of sales increased 4% to ¥7,459.0 billion, as compared with the year ended March 31, 2015, and the ratio of cost of sales to revenues was 74%, which was the same level as the year ended March 31, 2015. Gross profit was ¥2,575.2 billion, which was the same level as the year ended March 31, 2015.

Selling, general and administrative expenses were ¥1,940.3 billion, which was the same level as the year ended March 31, 2015, and the ratio of selling, general and administrative expenses to revenues was 19%, as compared with 20% for the year ended March 31, 2015.

Other income increased ¥48.1 billion to ¥57.5 billion and other expenses decreased ¥25.9 billion to ¥141.8 billion, as compared with the year ended March 31, 2015, respectively. The details are as follows.

Net loss on sales and disposal of fixed assets decreased ¥12.3 billion to ¥4.4 billion, as compared with the year ended March 31, 2015.

Impairment losses increased ¥2.6 billion to ¥44.7 billion, as compared with the year ended March 31, 2015. This mainly consisted of impairment losses recognized for certain assets as a result of business portfolio restructuring in the Information & Telecommunication Systems segment.

Net gain on business reorganization and others was ¥55.2 billion, as compared with net loss of ¥55.0 billion in the year ended March 31, 2015. The net gain in the year ended March 31, 2016 was due mainly to posting a gain on sales of shares of UniCarriers Holdings Corporation by Hitachi Construction Machinery Co., Ltd. in the Construction Machinery segment and sales of shares of Hitachi Tool Engineering, Ltd. by Hitachi Metals, Ltd. in the High Functional Materials & Components segment as well as the reorganization of the air-conditioning systems business in the Smart Life & Ecofriendly Systems segment.

Restructuring charges increased ¥10.1 billion to ¥36.8 billion, as compared with the year ended March 31, 2015. This mainly consisted of expenses for business restructuring in the Information & Telecommunication Systems segment.

Expenses related to competition law and others decreased ¥3.5 billion to ¥22.3 billion, as compared with the year ended March 31, 2015.

Financial income (excluding interest income) increased ¥2.8 billion to ¥10.6 billion and financial expenses (excluding interest charges) increased ¥27.0 billion to ¥30.2 billion, as compared with the year ended March 31, 2015, respectively. This was due mainly to an increase in exchange loss from ¥23.9 billion to ¥26.5 billion, as compared with the year ended March 31, 2015.

Share of profits of investments accounted for using the equity method decreased ¥46.5 billion to ¥0.1 billion due mainly to deterioration of profitability of overseas equity-method associates, as compared with the year ended March 31, 2015.

EBIT decreased ¥3.0 billion to ¥531.0 billion, as compared with the year ended March 31, 2015.

Interest income decreased ¥0.5 billion to ¥12.0 billion and interest charges decreased ¥1.6 billion to ¥25.9 billion, as compared with the year ended March 31, 2015, respectively.

Income from continuing operations, before income taxes decreased ¥1.9 billion to ¥517.0 billion, as compared with the year ended March 31, 2015.

Income taxes increased ¥43.1 billion to ¥165.2 billion, as compared with the year ended March 31, 2015, due mainly to tax expense recognized for partial transfer of shares of Hitachi Transport System, Ltd. and Hitachi Capital Corporation.

Loss from discontinued operations increased ¥3.5 billion to ¥57.0 billion, as compared with the year ended March 31, 2015.

Net income decreased ¥48.6 billion to ¥294.7 billion, as compared with the year ended March 31, 2015.

Net income attributable to non-controlling interests decreased ¥3.3 billion to ¥122.5 billion, as compared with the year ended March 31, 2015.

As a result of the foregoing, net income attributable to Hitachi, Ltd. stockholders decreased ¥45.3 billion to ¥172.1 billion, as compared with the year ended March 31, 2015.

Operations by Segment

The following is an overview of results of operations by segment. Revenues for each segment include intersegment transactions. Segment profit is measured by EBIT.

(Information & Telecommunication Systems)

Revenues increased 4% to ¥2,109.3 billion, as compared with the year ended March 31, 2015, due mainly to solid performances by the system solutions business centered on financial systems and higher revenues from the storage solutions business as a result of the effects of foreign exchange rate fluctuations.

Segment profit increased ¥3.0 billion to ¥109.1 billion, as compared with the year ended March 31, 2015, due mainly to higher profits in the system solutions business resulting from increased revenues. This increase was partially offset by lower profits in the platform business owing to the effect of reduction in capital investment by Japanese telecommunications carriers in the telecommunications & network business, to decreased demand for high-end storage in North America and to posting expenses related to business restructuring.

(Social Infrastructure & Industrial Systems)

Revenues increased 13% to ¥2,333.1 billion, as compared with the year ended March 31, 2015, due mainly to significantly increased revenues from the railway systems business resulting from the acquisition of relevant businesses from Finmeccanica S.p.A. and to solid performances by the power generation systems business and the elevators and escalators business.

Segment profit decreased ¥81.2 billion to ¥29.1 billion, as compared with the year ended March 31, 2015. This decrease was due mainly to increased losses from Middle Eastern projects in the infrastructure systems business, to a decrease in share of profits of investments accounted for using the equity method, to posting expenses related to business restructuring and currency exchange loss, and to the absence of net gain on business reorganization and others relating to Mitsubishi-Hitachi Metals Machinery, Inc. posted in the year ended March 31, 2015.

(Electronic Systems & Equipment)

Revenues were ¥1,127.6 billion, which was the same level as the year ended March 31, 2015. Hitachi High-Technologies Corporation posted higher revenues due mainly to higher sales of electron microscopes and clinical analyzers, and Hitachi Koki Co., Ltd. also posted higher revenues due mainly to higher sales of power tools in North America. These results were offset by lower revenues at Hitachi Kokusai Electric Inc., which was affected by a drop in post-earthquake reconstruction demand following Great East Japan Earthquake.

Segment profit increased ¥0.5 billion to ¥64.3 billion, as compared with the year ended March 31, 2015. This increase was due mainly to non-recurring gain posted for the shift to defined contribution pension plan at Hitachi High-Technologies Corporation, and to improved profit in the healthcare business resulting from the effect of business restructuring. Hitachi Kokusai Electric Inc. posted decreased profit owing to lower revenue, and Hitachi Koki Co., Ltd. also posted decreased profit owing to the effect of the foreign exchange rate fluctuations and economic slowdown in emerging countries and resource-producing countries.

(Construction Machinery)

Revenues decreased 7% to ¥758.3 billion, as compared with the year ended March 31, 2015, due mainly to sluggish market conditions in Asia, in particular China, as well as Oceania and Russia.

Segment profit decreased ¥34.7 billion to ¥25.8 billion, as compared with the year ended March 31, 2015, due mainly to lower revenues and to a higher proportion of compact models with lower profitability in the product mix owing to exhaust emission regulations in Japan and changes in product mix for China market. This decrease was also attributable to disposal of inventories, foreign exchange losses owing to the depreciation of emerging-market currencies, and posting expenses for business restructuring. This decrease was partially offset by net gain on business reorganization and others related to the sale of shares of UniCarriers Holdings Corporation.

(High Functional Materials & Components)

Revenues increased 2% to ¥1,564.0 billion, as compared with the year ended March 31, 2015. This increase was due mainly to the effects of the consolidation of Waupaca Foundry Holdings, Inc. by Hitachi Metals, Ltd. in November 2014 and of CSB Battery Co., Ltd. by Hitachi Chemical Company, Ltd. in January 2015, and to solid performances for automobile-related products. This increase was partially offset by the impact of slowdown in Chinese market and decreased demand for electronics-related products.

Segment profit increased ¥29.6 billion to ¥153.5 billion, as compared with the year ended March 31, 2015. This increase was due mainly to higher revenues, the effects of business restructuring and posting net gain on business reorganization and others related to the sale of a part of equity interest in Hitachi Tool Engineering, Ltd. by Hitachi Metals, Ltd.

(Automotive Systems)

Revenues increased 7% to ¥1,001.1 billion, as compared with the year ended March 31, 2015, due mainly to growth in sales driven by robust demand for automobiles in North America and China.

Segment profit increased ¥18.9 billion to ¥53.9 billion, as compared with the year ended March 31, 2015, due mainly to higher revenues, a decrease in expenses related to competition law and others, and a decrease in exchange loss.

(Smart Life & Ecofriendly Systems)

Revenues decreased 10% to ¥681.0 billion, as compared with the year ended March 31, 2015, due mainly to the effect of reorganization of the air-conditioning systems business. This decrease was partially offset by solid performance in the home appliances business such as refrigerators and washing machines.

Segment profit increased ¥7.4 billion to ¥41.9 billion, as compared with the year ended March 31, 2015, due mainly to the net gain on business reorganization and others related to the reorganization of the air-conditioning systems business, despite lower revenues.

(Others (Logistics and Other services))

Revenues decreased 2% to ¥1,252.7 billion, as compared with the year ended March 31, 2015, due mainly to lower revenues of optical disk drives business owing to weaker demand.

Segment profit decreased ¥10.4 billion to ¥40.6 billion, as compared with the year ended March 31, 2015, due mainly to expenses related to business restructuring in optical disk drives business, despite increased profits at Hitachi Transport System, Ltd resulting from improved profitability.

(Financial Services)

Revenues increased 3% to ¥365.3 billion, as compared with the year ended March 31, 2015, due mainly to solid performance in Japan and strong performance in overseas business, particularly in North America.

Segment profit increased ¥11.2 billion to ¥46.6 billion, as compared with the year ended March 31, 2015, due mainly to higher revenues, the absence of expenses related to business restructuring posted in the year ended March 31, 2015, and the effects of such business restructuring.

Revenues by Geographic Area

The following is an overview of revenues attributed to geographic areas based on customer location.

Years ended March 31:	Billions of yen		Percent change
	2015	2016	
Japan	¥5,220.3	¥5,231.5	0%
Overseas Revenues			
Subtotal	4,554.5	4,802.7	5%
Asia	2,178.2	2,112.3	-3%
North America	1,064.1	1,280.3	20%
Europe	841.9	951.1	13%
Other Areas	470.2	459.0	-2%
Total Revenues	¥9,774.9	¥10,034.3	3%

Japan

Revenues in Japan were ¥5,231.5 billion, which was the same level as the year ended March 31, 2015. This was due mainly to higher revenues from the system solutions business centered on financial systems in the Information & Telecommunication Systems segment, and higher revenues from the power generation systems business and the infrastructure systems business in the Social Infrastructure & Industrial Systems segment, despite lower revenues in the High Functional Materials & Components and Automotive Systems segments, etc.

Overseas

Overseas revenues increased 5% to ¥4,802.7 billion, as compared with the year ended March 31, 2015, and the ratio to total revenues was 48%, compared with 47% for the year ended March 31, 2015.

(Asia)

Revenues in Asia decreased 3% to ¥2,112.3 billion, as compared with the year ended March 31, 2015. This was due mainly to lower revenues in the Smart Life & Ecofriendly Systems segment, which was affected by the reorganization of the air-conditioning systems business, and in the Construction Machinery segment mainly because of decreased sales particularly in China, despite higher revenues in the Automotive Systems and Social Infrastructure & Industrial Systems segments, etc.

(North America)

Revenues in North America increased 20% to ¥1,280.3 billion, as compared with the year ended March 31, 2015. This increase was due mainly to higher revenues in the High Functional Materials & Components segment as a result of the effects of the consolidation of Waupaca Foundry Holdings, Inc. by Hitachi Metals, Ltd., and in the Automotive Systems segment, despite lower revenues in the Construction Machinery and Others (Logistics and Other services) segments.

(Europe)

Revenues in Europe increased 13% to ¥951.1 billion, as compared with the year ended March 31, 2015. This increase was due mainly to higher revenues in the Social Infrastructure & Industrial Systems segment which reported increased revenues from the railway systems business, and in the Information & Telecommunication Systems segment, despite lower revenues in the Construction Machinery and Smart Life & Ecofriendly Systems segments.

(Other Areas)

Revenues in other areas decreased 2% to ¥459.0 billion, as compared with the year ended March 31, 2015. This decrease was due mainly to lower revenues in the Construction Machinery and Smart Life & Ecofriendly Systems segments, despite higher revenues in the Social Infrastructure & Industrial Systems segment which reported increased revenues from the railway systems business.

Liquidity and Capital Resources

Our management considers maintaining an appropriate level of liquidity and securing adequate funds for current and future business operations to be important financial objectives. Through efficient management of working capital and selective investment in new plants and equipment, we are working to optimize the efficiency of capital utilization throughout our business operations. We endeavor to improve our group cash management by centralizing such management among us and our overseas financial subsidiaries. Our internal sources of funds include cash flows generated by operating activities and cash on hand. Our management also considers short-term investments to be an immediately available source of funds. In addition, we raise funds both in the capital markets and from Japanese and international commercial banks in response to our capital requirements. Our management's policy is to finance capital expenditures primarily by internally generated funds and to a lesser extent by funds raised through the issuance of debt and equity securities in domestic and foreign capital markets. In order to flexibly access funding, we maintain our shelf registration with the maximum outstanding balance of ¥300.0 billion.

We maintain commitment line agreements with a number of domestic banks under which we may borrow in order to ensure efficient access to necessary funds. These commitment line agreements generally provide for a one-year term, renewable upon mutual agreement between us and each of the lending banks, as well as another commitment line agreement with a contract term of three years ending in July 2019. As of March 31, 2016, our unused commitment lines totaled ¥553.0 billion, including these of ¥400.0 billion which the Company maintained.

We receive debt ratings from Moody's Japan K.K. (Moody's), Standard & Poor's Rating Japan (S&P), as well as Rating and Investment Information, Inc. (R&I). Our debt ratings as of March 31, 2016 were as follows.

Rating Company	Long-term	Short-term
Moody's	A3	P-2
S&P	A-	A-2
R&I	A+	a-1

With our current ratings, we believe that our access to the global capital markets will remain sufficient for our financing needs. We seek to improve our credit ratings in order to ensure financial flexibility for liquidity and capital management, and to continue to maintain access to sufficient funding resources through the capital markets.

Cash Flows

Years ended March 31:	Billions of yen	
	2015	2016
Net cash provided by operating activities	¥ 451.8	¥ 812.2
Net cash used in investing activities	(612.5)	(730.7)
Net cash provided by (used in) financing activities	233.2	(26.4)
Effect of exchange rate changes on cash and cash equivalents	68.5	(57.3)
Net increase (decrease) in cash and cash equivalents	141.0	(2.3)
Cash and cash equivalents at beginning of year	560.6	701.7
Cash and cash equivalents at end of year	¥ 701.7	¥ 699.3

(Cash Flows from Operating Activities)

Net income in the year ended March 31, 2016 decreased ¥48.6 billion, as compared with the year ended March 31, 2015. Changes in working capital in the year ended March 31, 2016 from collection of receivables, a decrease in inventories and changes in trade payables improved net cash flow by ¥148.3 billion, ¥160.6 billion and ¥16.4 billion, respectively. As a result of the foregoing, net cash provided by operating activities was ¥812.2 billion in the year ended March 31, 2016, an increase of ¥360.4 billion compared with the year ended March 31, 2015.

(Cash Flows from Investing Activities)

Proceeds from sales of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) increased by ¥16.2 billion as compared with the year ended March 31, 2015. Net amount of investments related to property, plant and equipment*¹ was ¥652.3 billion in the year ended March 31, 2016, an increase of ¥83.7 billion as compared with the year ended March 31, 2015. Purchase of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method) in the year ended March 31, 2016 was ¥196.6 billion, an increase of ¥43.7 billion as compared with the year ended March 31, 2015, due mainly to the acquisition of relevant businesses from Finmeccanica S.p.A. and the acquisition of Pentaho Corporation by Hitachi Data Systems Corporation. As a result of the foregoing, net cash used in investing activities was ¥730.7 billion in the year ended March 31, 2016, an increase of ¥118.2 billion compared with the year ended March 31, 2015.

*¹ The sum of the purchase of property, plant and equipment, the purchase of intangible assets and the purchase of leased assets, less the proceeds from sale of property, plant, equipment and intangible assets, the proceeds from sale of leased assets and the collection of lease receivables

(Cash Flows from Financing Activities)

Net cash outflow from a decrease in short-term debt increased by ¥206.7 billion as compared with the year ended March 31, 2015. Proceeds related to long-term debt*² in the year ended March 31, 2016 was ¥180.6 billion, a decrease of ¥25.4 billion as compared with the year ended March 31, 2015. As a result of the foregoing, net cash used in financing activities was ¥26.4 billion in the year ended March 31, 2016, an increase in net cash outflow of ¥259.6 billion compared with the year ended March 31, 2015.

*² The proceeds from long-term debt, less the payments on long-term debt

As a result of the above items, as of March 31, 2016, cash and cash equivalents amounted to ¥699.3 billion, net decrease of ¥2.3 billion from March 31, 2015. Free cash flows, the sum of cash flows from operating and investing activities, represented an inflow of ¥81.4 billion in the year ended March 31, 2016, an increase in net cash inflow of ¥242.1 billion from the year ended March 31, 2015.

Assets, Liabilities and Equity

As of March 31, 2016, total assets amounted to ¥12,551.0 billion, an increase of ¥117.2 billion from March 31, 2015. This was due mainly to the effect of the acquisition of the signaling systems and railway businesses of Finmeccanica S.p.A. and the acquisition of Pentaho Corporation by Hitachi Data Systems Corporation, and an increase in trade receivables associated with business expansion, especially for foreign markets, in the Financial Services segment. This increase was partially offset by the effect of reorganization of the air-conditioning systems business, decreases in the value of assets denominated in foreign currency owing to the appreciation of yen, the effect of lower stock price and the effect of inventory reduction. Cash and cash equivalents as of March 31, 2016 amounted to ¥699.3 billion, a decrease of ¥2.3 billion from the amount as of March 31, 2015.

As of March 31, 2016, total interest-bearing debt, the sum of short-term debt and long-term debt, amounted to ¥3,604.4 billion, an increase of ¥47.0 billion from March 31, 2015. As of March 31, 2016, short-term debt, consisting mainly of borrowings from banks and commercial paper, amounted to ¥871.4 billion, a decrease of ¥106.2 billion from March 31, 2015, due mainly to the repayment of commercial paper by the Company. As of March 31, 2016, current portion of long-term debt amounted to ¥651.5 billion, an increase of ¥167.9 billion from March 31, 2015. As of March 31, 2016, long-term debt (excluding current portion), consisting mainly of debentures, debentures with stock acquisition rights, medium-term notes and loans principally from banks and insurance companies, amounted to ¥2,081.5 billion, a decrease of ¥14.6 billion from March 31, 2015, due mainly to increased amount of debt maturing in the year ending March 31, 2017, despite higher demand for funds in line with business expansion in the Financial Services segment.

As of March 31, 2016, total Hitachi, Ltd. stockholders' equity amounted to ¥2,735.0 billion, a decrease of ¥207.2 billion from March 31, 2015, due mainly to a decrease in the accumulated other comprehensive income owing primarily to the appreciation of yen, lower stock prices, and lower interest rates, despite posting of net income attributable to Hitachi, Ltd. stockholders. As a result, the ratio of total Hitachi, Ltd. stockholders' equity to total assets as of March 31, 2016 was 21.8%, compared with 23.7% as of March 31, 2015.

Non-controlling interests as of March 31, 2016 was ¥1,390.4 billion, an increase of ¥36.4 billion from March 31, 2015.

Total equity as of March 31, 2016 was ¥4,125.5 billion, a decrease of ¥170.7 billion from March 31, 2015. The ratio of interest-bearing debt to total equity increased to 0.87, compared with 0.83 as of March 31, 2015.

Consolidated Statements of Financial Position

Hitachi, Ltd. and Subsidiaries
March 31, 2016 and 2015

	Millions of yen	
Assets	2015	2016
Current assets		
Cash and cash equivalents	¥ 701,703	¥ 699,315
Trade receivables	2,870,042	2,992,770
Lease receivables	337,353	338,758
Inventories	1,458,119	1,299,855
Other current assets	515,195	541,857
Total current assets	5,882,412	5,872,555
Non-current assets		
Investments accounted for using the equity method	681,623	676,960
Investments in securities and other financial assets	1,449,734	1,329,974
Lease receivables	680,620	727,485
Property, plant and equipment	2,472,497	2,500,226
Intangible assets	933,582	1,070,403
Other non-current assets	333,259	373,402
Total non-current assets	6,551,315	6,678,450
Total Assets	¥12,433,727	¥12,551,005

Millions of yen

Liabilities	2015	2016
Current liabilities		
Short-term debt	¥ 977,701	¥ 871,417
Current portion of long-term debt	483,521	651,518
Other financial liabilities	296,425	280,048
Trade payables	1,426,523	1,451,918
Other current liabilities	1,595,308	1,739,315
Total current liabilities	4,779,478	4,994,216
Non-current liabilities		
Long-term debt	2,096,134	2,081,520
Other financial liabilities	117,535	115,155
Retirement and severance benefits	724,223	783,670
Other non-current liabilities	420,015	450,874
Total non-current liabilities	3,357,907	3,431,219
Total Liabilities	8,137,385	8,425,435
Equity		
Hitachi, Ltd. stockholders' equity		
Common stock	458,790	458,790
Capital surplus	608,416	586,790
Retained earnings	1,477,517	1,609,761
Accumulated other comprehensive income	401,100	83,543
Treasury stock, at cost	(3,542)	(3,806)
Total Hitachi, Ltd. stockholders' equity	2,942,281	2,735,078
Non-controlling interests	1,354,061	1,390,492
Total Equity	4,296,342	4,125,570
Total Liabilities and Equity	¥12,433,727	¥12,551,005

Consolidated Statements of Profit or Loss

Hitachi, Ltd. and Subsidiaries
Years ended March 31, 2016 and 2015

Millions of yen

	2015	2016
Revenues	¥ 9,774,930	¥10,034,305
Cost of sales	(7,198,232)	(7,459,073)
Gross profit	2,576,698	2,575,232
Selling, general and administrative expenses	(1,935,373)	(1,940,363)
Adjusted operating income	641,325	634,869
Other income	9,415	57,539
Other expenses	(167,781)	(141,881)
Financial income	7,727	10,615
Financial expenses	(3,284)	(30,295)
Share of profits of investments accounted for using the equity method	46,657	156
EBIT (Earnings before interest and taxes)	534,059	531,003
Interest income	12,529	12,028
Interest charges	(27,594)	(25,991)
Income from continuing operations, before income taxes	518,994	517,040
Income taxes	(122,075)	(165,206)
Income from continuing operations	396,919	351,834
Loss from discontinued operations	(53,501)	(57,081)
Net income	¥ 343,418	¥ 294,753
Net income attributable to:		
Hitachi, Ltd. stockholders	217,482	172,155
Non-controlling interests	125,936	122,598

Consolidated Statements of Comprehensive Income

Hitachi, Ltd. and Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen	
	2015	2016
Net income	¥343,418	¥ 294,753
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	57,957	(50,323)
Remeasurements of defined benefit plans	27,039	(140,844)
Share of OCI of investments accounted for using the equity method	5,633	(4,275)
Total items not to be reclassified into net income	90,629	(195,442)
Items that can be reclassified into net income		
Foreign currency translation adjustments	188,619	(190,099)
Net changes in cash flow hedges	(16,850)	32,785
Share of OCI of investments accounted for using the equity method	(74,604)	(26,239)
Total items that can be reclassified into net income	97,165	(183,553)
Other comprehensive income [OCI] (loss)	187,794	(378,995)
Comprehensive income (loss)	¥531,212	¥ (84,242)
Comprehensive income (loss) attributable to:		
Hitachi, Ltd. stockholders	337,578	(127,557)
Non-controlling interests	193,634	43,315

Consolidated Statements of Changes in Equity

Hitachi, Ltd. and Subsidiaries
Years ended March 31, 2016 and 2015

Millions of yen

2015

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of year	¥458,790	¥617,496	¥1,277,970	¥317,547	¥(3,146)	¥2,668,657	¥1,200,174	¥3,868,831
Reclassified into retained earnings	—	—	37,597	(37,597)	—	—	—	—
Net income	—	—	217,482	—	—	217,482	125,936	343,418
Other comprehensive income	—	—	—	120,096	—	120,096	67,698	187,794
Cash dividends	—	—	(55,532)	—	—	(55,532)	(32,578)	(88,110)
Changes in treasury stock	—	3	—	—	(396)	(393)	—	(393)
Changes in non-controlling interests	—	(9,083)	—	1,054	—	(8,029)	(7,169)	(15,198)
Total changes in equity	—	(9,080)	199,547	83,553	(396)	273,624	153,887	427,511
Balance at end of year	¥458,790	¥608,416	¥1,477,517	¥401,100	¥(3,542)	¥2,942,281	¥1,354,061	¥4,296,342

Millions of yen

2016

	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total Hitachi, Ltd. stockholders' equity	Non-controlling interests	Total equity
Balance at beginning of year	¥458,790	¥608,416	¥1,477,517	¥401,100	¥(3,542)	¥2,942,281	¥1,354,061	¥4,296,342
Reclassified into retained earnings	—	—	18,030	(18,030)	—	—	—	—
Net income	—	—	172,155	—	—	172,155	122,598	294,753
Other comprehensive loss	—	—	—	(299,712)	—	(299,712)	(79,283)	(378,995)
Cash dividends	—	—	(57,941)	—	—	(57,941)	(39,502)	(97,443)
Changes in treasury stock	—	(4)	—	—	(264)	(268)	—	(268)
Changes in non-controlling interests	—	(21,622)	—	185	—	(21,437)	32,618	11,181
Total changes in equity	—	(21,626)	132,244	(317,557)	(264)	(207,203)	36,431	(170,772)
Balance at end of year	¥458,790	¥586,790	¥1,609,761	¥83,543	¥(3,806)	¥2,735,078	¥1,390,492	¥4,125,570

Consolidated Statements of Cash Flows

Hitachi, Ltd. and Subsidiaries
Years ended March 31, 2016 and 2015

Millions of yen

	2015	2016
Cash flows from operating activities		
Net income	¥ 343,418	¥ 294,753
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	481,021	507,790
Change in trade receivables	(201,423)	(53,092)
Change in inventories	(116,328)	44,342
Change in trade payables	(18,041)	(1,602)
Other	(36,822)	20,035
Net cash provided by (used in) operating activities	451,825	812,226
Cash flows from investing activities		
Purchase of property, plant and equipment	(358,141)	(369,494)
Purchase of intangible assets	(128,808)	(116,438)
Purchase of leased assets	(444,223)	(539,420)
Proceeds from sale of property, plant, equipment, and intangible assets	32,528	22,632
Proceeds from sale of leased assets	27,122	23,834
Collection of lease receivables	302,899	326,497
Proceeds from sale (purchase) of investments in securities and other financial assets (including investments in subsidiaries and investments accounted for using the equity method), net	(31,226)	(58,756)
Other	(12,696)	(19,654)
Net cash provided by (used in) investing activities	(612,545)	(730,799)
Free cash flows	(160,720)	81,427
Cash flows from financing activities		
Change in interest-bearing debt	343,050	110,821
Dividends paid to stockholders	(55,443)	(57,907)
Dividends paid to non-controlling interests	(32,143)	(41,671)
Other	(22,258)	(37,710)
Net cash provided by (used in) financing activities	233,206	(26,467)
Effect of exchange rate changes on cash and cash equivalents	68,560	(57,348)
Change in cash and cash equivalents	141,046	(2,388)
Cash and cash equivalents at beginning of year	560,657	701,703
Cash and cash equivalents at end of year	¥ 701,703	¥ 699,315

Summarized Consolidated Statements of Financial Position by Manufacturing, Services and Others and Financial Services

Hitachi, Ltd. and Subsidiaries
March 31, 2016 and 2015

Billions of yen

	2015			2016		
	Manufacturing, Services and Others	Financial Services	Total*	Manufacturing, Services and Others	Financial Services	Total*
Assets						
Current assets	¥5,115.2	¥1,184.8	¥ 5,882.4	¥4,995.6	¥1,256.8	¥ 5,872.5
Cash and cash equivalents	654.7	119.7	701.7	660.9	157.0	699.3
Trade receivables	2,448.9	695.2	2,870.0	2,472.0	710.7	2,992.7
Lease receivables	55.9	299.5	337.3	45.6	311.9	338.7
Inventories	1,447.8	3.3	1,458.1	1,291.5	3.7	1,299.8
Other current assets	507.7	66.9	515.1	525.3	73.3	541.8
Non-current assets	4,869.2	1,768.8	6,551.3	4,922.3	1,834.6	6,678.4
Investments accounted for using the equity method	682.2	19.4	681.6	676.3	20.4	676.9
Investments in securities and other financial assets	772.6	709.8	1,449.7	681.6	675.9	1,329.9
Lease receivables	47.3	669.7	680.6	38.2	729.8	727.4
Property, plant and equipment	2,204.7	268.0	2,472.4	2,193.6	307.5	2,500.2
Intangible assets	873.7	59.8	933.5	1,007.7	62.6	1,070.4
Other non-current assets	288.4	41.8	333.2	324.6	38.1	373.4
Total Assets	¥9,984.4	¥2,953.6	¥12,433.7	¥9,917.9	¥3,091.4	¥12,551.0
Liabilities and Equity						
Current liabilities	¥3,962.9	¥1,270.5	¥ 4,779.4	¥4,095.5	¥1,323.2	¥ 4,994.2
Short-term debt	574.4	514.3	977.7	529.8	497.6	871.4
Current portion of long-term debt	193.0	357.9	483.5	234.9	485.6	651.5
Other financial liabilities	262.8	58.5	296.4	265.5	40.1	280.0
Trade payables	1,388.5	273.0	1,426.5	1,379.0	228.9	1,451.9
Other current liabilities	1,544.0	66.7	1,595.3	1,686.1	70.8	1,739.3
Non-current liabilities	2,049.6	1,346.2	3,357.9	2,038.0	1,421.1	3,431.2
Long-term debt	860.2	1,266.3	2,096.1	750.3	1,356.2	2,081.5
Other financial liabilities	77.7	42.2	117.5	85.0	28.7	115.1
Retirement and severance benefits	717.9	6.2	724.2	774.1	9.5	783.6
Other non-current liabilities	393.7	31.3	420.0	428.5	26.6	450.8
Total Liabilities	6,012.5	2,616.8	8,137.3	6,133.5	2,744.4	8,425.4
Hitachi, Ltd. stockholders' equity	2,760.3	195.3	2,942.2	2,540.8	201.3	2,735.0
Non-controlling interests	1,211.5	141.4	1,354.0	1,243.5	145.7	1,390.4
Total Equity	3,971.9	336.8	4,296.3	3,784.3	347.0	4,125.5
Total Liabilities and Equity	¥9,984.4	¥2,953.6	¥12,433.7	¥9,917.9	¥3,091.4	¥12,551.0
Interest-bearing debt	¥1,627.7	¥2,138.6	¥3,557.3	¥1,515.0	¥2,339.5	¥3,604.4
Total Hitachi, Ltd. stockholders' equity ratio	27.6%	6.6%	23.7%	25.6%	6.5%	21.8%
D/E ratio (including non-controlling interests) (times)	0.41	6.35	0.83	0.40	6.74	0.87

* Total figures exclude inter-segment transactions.

Summarized Consolidated Statements of Profit or Loss by Manufacturing, Services and Others and Financial Services

Hitachi, Ltd. and Subsidiaries
March 31, 2016 and 2015

Billions of yen

	2015			2016		
	Manufacturing, Services and Others	Financial Services	Total*	Manufacturing, Services and Others	Financial Services	Total*
Revenues	¥9,569.8	¥356.2	¥9,774.9	¥9,833.9	¥365.3	¥10,034.3
Adjusted operating income	598.5	38.9	641.3	586.8	45.2	634.8
EBIT	499.9	35.4	534.0	490.2	46.6	531.0
Income from continuing operations, before income taxes	485.5	35.4	518.9	476.9	46.6	517.0
Net income attributable to Hitachi, Ltd. stockholders	206.0	14.3	217.4	152.1	19.7	172.1

* Total figures exclude inter-segment transactions.

Summarized Consolidated Statements of Cash Flows by Manufacturing, Services and Others and Financial Services

Hitachi, Ltd. and Subsidiaries
March 31, 2016 and 2015

Billions of yen

	2015			2016		
	Manufacturing, Services and Others	Financial Services	Total* ¹	Manufacturing, Services and Others	Financial Services	Total* ¹
Cash flows from operating activities	¥ 586.4	¥ (85.9)	¥ 451.8	¥ 843.1	¥ (7.4)	¥ 812.2
Cash flows from investing activities	(449.1)	(191.3)	(612.5)	(518.7)	(218.8)	(730.7)
Free cash flows	137.2	(277.3)	(160.7)	324.4	(226.2)	81.4
Cash flows from financing activities	(69.1)	236.8	233.2	(262.7)	265.4	(26.4)
Effect of exchange rate changes on cash and cash equivalents	65.1	3.4	68.5	(55.5)	(1.8)	(57.3)
Change in cash and cash equivalents	133.2	(37.0)	141.0	6.1	37.3	(2.3)
Cash and cash equivalents at beginning of year	521.4	156.7	560.6	654.7	119.7	701.7
Cash and cash equivalents at end of year	¥ 654.7	¥ 119.7	¥ 701.7	¥ 660.9	¥ 157.0	¥ 699.3
Core free cash flows* ²	138.1	(292.1)	(176.4)	363.5	(264.8)	113.3

*¹ Total figures exclude inter-segment transactions.

*² Operating cash flows plus collection of investments in leases less cash outflows for the purchase of property, plant and equipment, intangible assets, software, and the assets to be leased.

Note: Consolidated financial statements by Manufacturing, Services and Others and Financial Services represent unaudited financial information prepared by the Company for the purpose of this supplementary information.

Role of the Financial Services Segment

Hitachi's Manufacturing, Services and Others segments and its Financial Services segment are each clearly positioned and managed as distinct businesses with different characteristics. The Manufacturing, Services and Others segments work in coordination with the Financial Services segment to expand the Social Innovation Business.

Increasing the financing receivables owned by Hitachi Capital Corporation, which constitutes the Financial Services segment, is the basis for growth in the financing business and regarded as investment to generate higher returns on equity. Credit rating agencies typically permit a higher level of interest-bearing debt and D/E ratio for financial services companies than for manufacturing and services companies. The credit ratings of Hitachi, Ltd. are assigned by credit rating agencies on the basis of key financial indicators that exclude Hitachi's financial services business.

Corporate Data / Stock Information

As of March 31, 2016

Corporate Name

Hitachi, Ltd. (Kabushiki Kaisha Hitachi Seisakusho)

URL

<http://www.hitachi.com/>

Principal Office

6-6, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8280, Japan

Founded

1910 (Incorporated in 1920)

Capital Stock

458,790 million yen

Number of Employees

335,244

Number of Shares Issued

Common Stock:

4,833,463,387 shares

Number of Shareholders

399,597

Administrator of Shareholders' Register

Tokyo Securities Transfer Agent Co., Ltd.
6th Floor, Kanda Nishiki-cho Building,
3-11, Kanda Nishiki-cho 3-chome,
Chiyoda-ku, Tokyo 101-0054, Japan

Stock Exchange Listings

Tokyo, Nagoya

Accounting Auditor

Ernst & Young ShinNihon LLC

Investor Relations Contacts

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Whitebrook Park,
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Maidenhead, Berkshire SL6 8YA
TEL: +44-1628-585714

10 Largest Shareholders

Name	Number of Shares (shares)	Percentage of Total (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	294,474,000	6.09
Japan Trustee Services Bank, Ltd. (Trust Account)	282,694,415	5.85
Hitachi Employees' Shareholding Association	99,633,384	2.06
Nippon Life Insurance Company	93,265,195	1.93
Japan Trustee Services Bank, Ltd. (Trust Account 9)	76,826,000	1.59
THE BANK OF NEW YORK MELLON SAVNV 10	73,447,113	1.52
STATE STREET BANK WEST CLIENT-TREATY 505234	71,729,327	1.48
The Dai-ichi Life Insurance Company, Limited*	71,361,222	1.48
STATE STREET BANK AND TRUST COMPANY 505225	68,111,932	1.41
Japan Trustee Services Bank, Ltd. (Trust Account 7)	67,288,000	1.39

* The number of shares held by The Dai-ichi Life Insurance Company, Limited includes its contribution of 6,560,000 shares to the retirement allowance trust (the holder of said shares, as listed in the Shareholders' Register, is "Dai-ichi Life Insurance Account, Retirement Allowance Trust, Mizuho Trust & Banking Co., Ltd.").

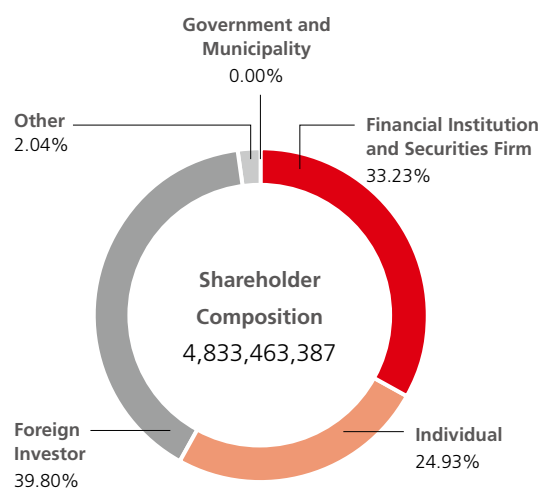
Ratings

Rating Company	Long-term	Short-term
Moody's Japan K.K. (Moody's)	A3	P-2
Standard & Poor's Rating Japan (S&P)	A-	A-2
Rating and Investment Information, Inc. (R&I)	A+	a-1

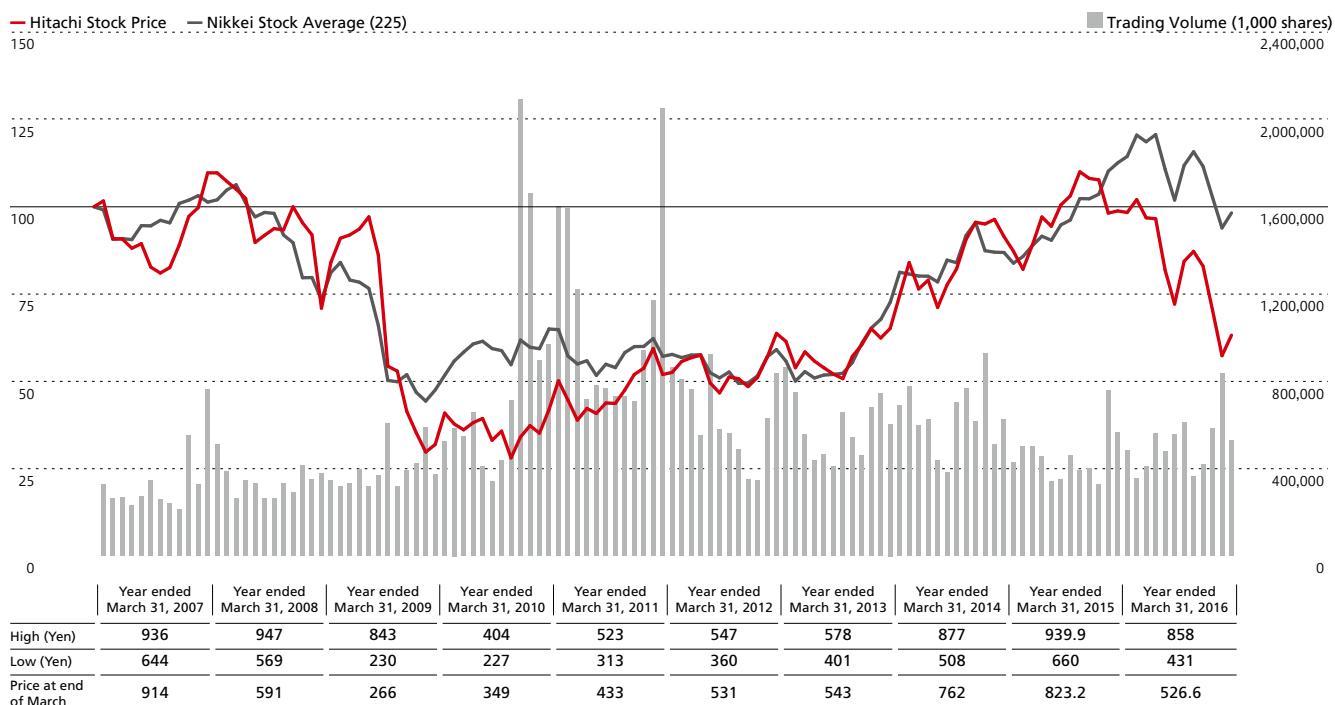
Shareholder Composition

Class of Shareholders	Number of Shareholders	Share Ownership (shares)
Financial Institution and Securities Firm	409	1,606,323,857
Individual	394,280	1,204,843,496
Foreign Investor	1,259	1,923,591,176
Other	3,645	98,658,290
Government and Municipality	4	46,568
Total	399,597	4,833,463,387

* Treasury stock is included in "Other."



Stock Price and Trading Volume



* The closing price on March 31, 2006 equals 100.

Website Information

Detailed information is available on the Company's website.

About Hitachi Group

http://www.hitachi.co.jp/about/corporate/index.html#hitachi_corporate
(Japanese)

<http://www.hitachi.com/corporate/about/index.html>
(English)

Investor Relations

http://www.hitachi.co.jp/IR/index.html#hitachi_ir
(Japanese)

<http://www.hitachi.com/IR-e/index.html>
(English)

CSR (Corporate Social Responsibility)

http://www.hitachi.co.jp/csr/index.html#hitachi_csr
(Japanese)

<http://www.hitachi.com/csr/>
(English)

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