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Healthcare Business Strategy

Hitachi IR Day 2014

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Masahiro Kitano

Senior Vice President and Executive Officer
President & CEO of Healthcare Group and Healthcare Company
Hitachi, Ltd.

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Contents

1. Business Overview [Reorganization of Healthcare Business]

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Established the Healthcare Group (as of April 1, 2014)

Healthcare Business Strategy Division

Information & Telecommunication Systems Group
Healthcare IT

Power Systems Group
Particle beam therapy systems

Hitachi Medical

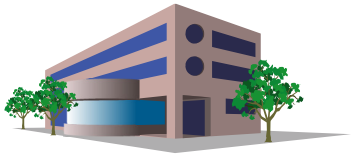
Integrate resources

Healthcare Group

(Approx 6,000 employees)

Hospitals/Providers

Patients/Individuals



Insurers/Payers

Strengthen collaboration on solutions

Related Hitachi divisions

1. Business Overview [Healthcare Related Solutions]

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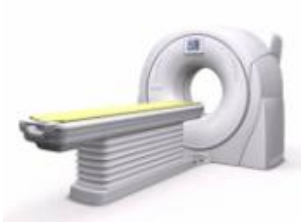
Diagnostic Equipment

Ultrasound

MRI

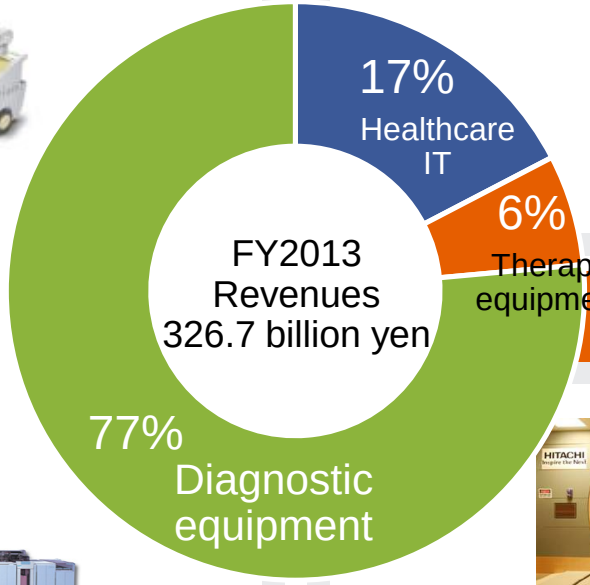


CT

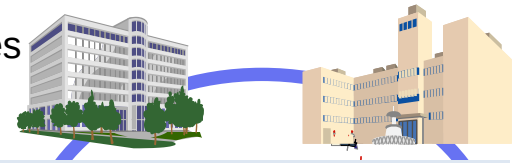
X-ray

Optical topography

Blood analyzer



Healthcare IT



- Data platform services
- Preventive services
- Solutions for hospitals and community healthcare

Therapy Equipment

Particle beam therapy systems

X-ray therapy

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2-1. Market Trends

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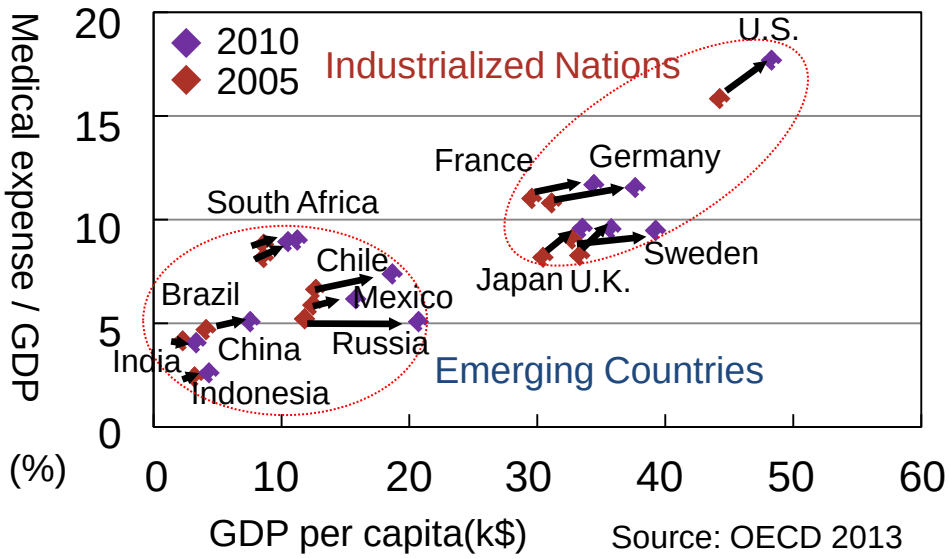
(1) Relationship between the GDP and medical expense of various countries



Source: OECD 2013

Trends in Industrialized nations

- Increase in medical expenses
- Aging populations and an increased incidence of chronic diseases
- Expanding scope of healthcare into preventive and post-treatment care
- Progress on advanced healthcare and the use of IT (U.S., U.K., etc.)

Trends in emerging countries

- Disparities in healthcare standards between different regions
- Low-cost, user-friendly equipment and remote services are in demand
- Shortage of funds and medical personnel

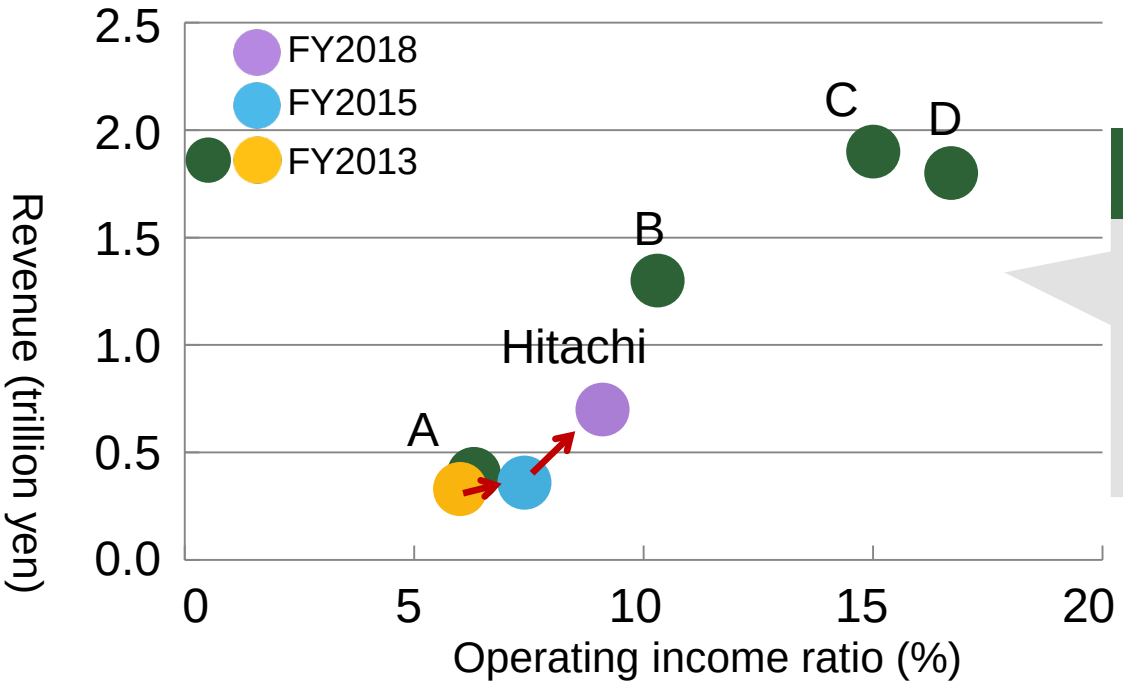
(2) Market size of main product categories

(billion yen)

No	Item	FY2012	FY2015	CAGR
1	Healthcare IT	2,200	2,700	7.1%
2	Particle beam therapy system	50	70	11.9%
3	X-ray therapy equipment	180	230	8.5%
4	Diagnostic imaging equipment	1,755	1,920	3.0%

Source: Prepared by Hitachi based on reports issued by Frost & Sullivan, InMedica, GlobalData and others

2-2. Competitive Environment



Trends at other companies

- Strengthening links between diagnostic and therapy equipment
- Raising efficiency using healthcare IT

A – D : Competitors

Hitachi's track record

- Delivered Healthcare storage systems and image archive systems to approx. 500 hospitals in North America, Europe and elsewhere
- Currently conducting proof of concept projects using IT to prevent and manage diabetes together with the NHS[*1] of the U.K.
- Delivered particle beam therapy systems to leading-edge hospitals in North America and Japan
- Bolstered the ultrasound business by making Aloka Co., Ltd., which developed the world's first ultrasound system, a subsidiary

*1 NHS: National Health Service

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3-1. Hitachi's Mission for Healthcare

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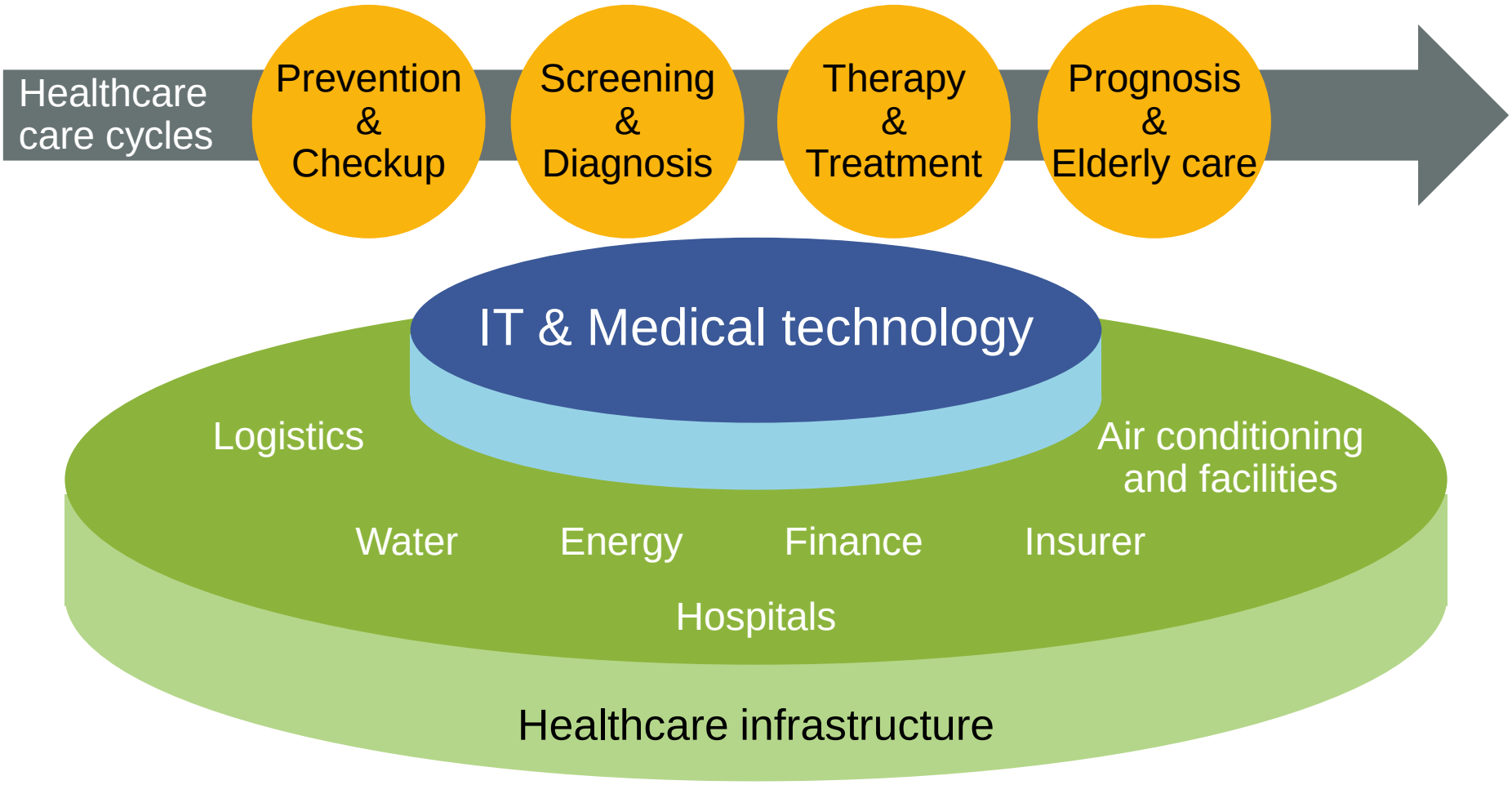
Satisfying the diversified healthcare needs at all stages of the entire care cycle through IT and medical technologies



3-2. Healthcare Business Strategy

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Healthcare needs	Hitachi's activities
Optimize the medical costs	Healthcare IT
Advanced healthcare	Hospital and community healthcare solutions
Improve the quality of hospitals and community healthcare	Therapy equipment
	Diagnostic equipment

3-3.(1) Healthcare IT [1]

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Optimize medical costs Improve the quality of hospitals and community healthcare	n Japan: Effective use of data from health insurance societies based on the “Data Health Plan” n U.K.: Effective use of healthcare data by the NHS, as a world leader in primary care n U.S.: Meaningful use of EHRs*1

Specific activities

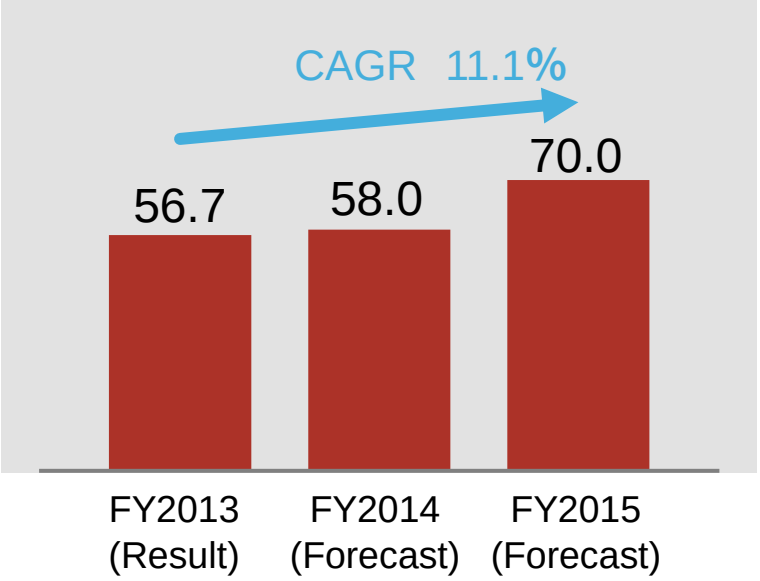
(1) Data platform service

n Storage and effective use of healthcare data through a vendor-neutral archive

(2) Preventive services

n Assist insurers with the prevention of lifestyle-related diseases and the onset of serious diseases

Revenue forecast*2 (billion yen)



*1 EHR: Electronic Health Record
*2 Includes hospital and community healthcare solutions

3-3.(1) Healthcare IT [2] [Data platform service]

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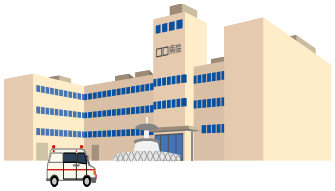
- Providing services by linking and safely storing various types of healthcare data
- Optimize storage using a tiered archive to achieve both rapid search speeds and cost effectiveness

Core hospital

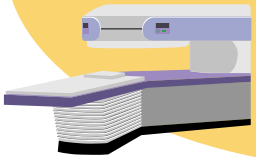


Electronic patient record administration documents

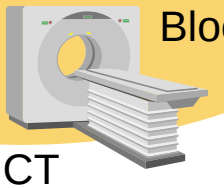
Ultrasound

①File storage virtualization

Blood analyzer



MRI



CT

Data center

②Vendor-neutral archive

Compatible with more than 400 file formats, with across-the-board search capabilities

Secure data storage and management

Medical charts

Referrals

Blood data

Diagnostic images

③Analytics technology
④Database for high-speed & root cause analysis

Delivered storage and image archive systems to around 500 hospitals in North America, Europe and elsewhere

3-3.(1) Healthcare IT [3] [Preventive services]

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- Considering various factors (BMI[*1], Glucose level, etc), latent patterns and regularity in the data to automatically come up with associated disease incidence rates and medical costs.
- Verified to estimate prospective medical costs of 110 thousands members in Hitachi healthcare insurance society with an average acceptable error range of 5%

Health Policy Support Service

Application of data to implement health policy PDCA

Company, Health Insurance Society

Policy proposal, support　　Data

Policy plan
- Select candidate
- Estimate cost

Health Guidance
- Diet operation
- Diabetes prevention

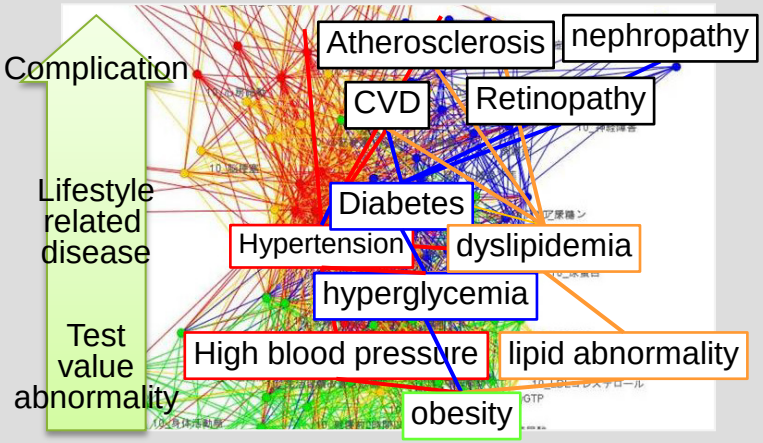
Improvement

Hitachi, Ltd.

Measurement

Technology to analyze causal association among diseases to estimate medical costs

Costs estimation under the inter-disease causal association



Cooperate with Hitachi Health Insurance Society which is strongly working toward Data Healthcare Project, and accelerate the preventive service businesses globally

*1 BMI: Body Mass Index

3-3.(1) Healthcare IT [4] [Preventive services]

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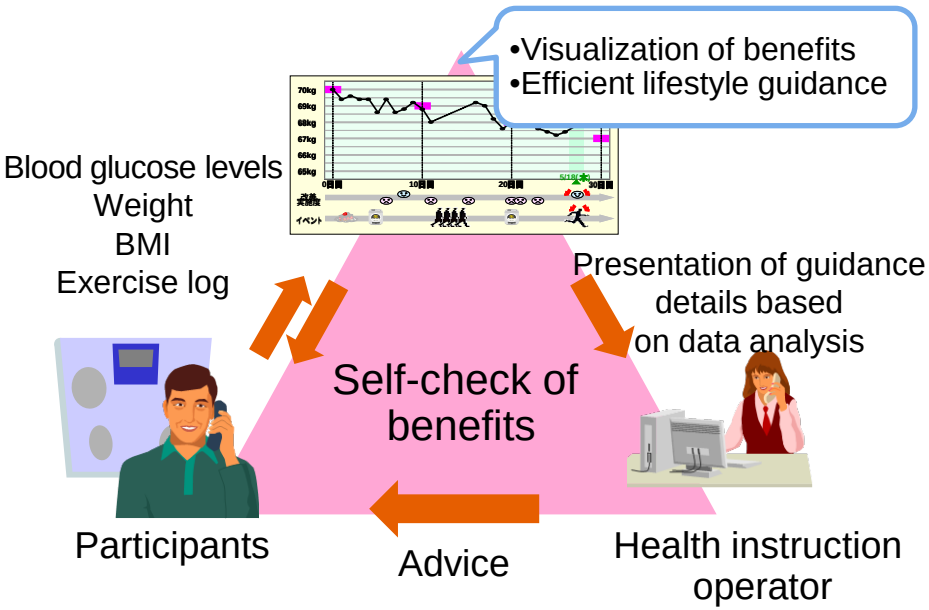
- Diet program: Metabolic syndrome alleviation rate of over 70%[*1], medical cost savings of around 28,000 yen per person[*2]

Diet program: A lifestyle guidance program for patients at risk of contracting diabetes in the future



Japan	n Expansion of diet program services (FY2009) n Total support business for health insurance societies implementing the Data Health Plan
U.K.	n Optimize the proven experiences of diet program for diabetes prevention services -FY2013: Completion of service concept -FY2014: Development and completion of commercialization -FY2015: Beginning of commercialization
U.S.	n Consider entering the IT services market for hospitals and insurers

*1 Based on the results of weight loss guidance at the Hitachi Health Management Center (total number of participants: 1,486 as of March 31, 2013)
*2 Medical cost savings at Hitachi Health Insurance Society (comparing the medical cost for four years between the people completed diet program and uncompleted the program out of 3,000 medical intended people in FY2008)

3-3.(2) Hospital and Community Healthcare Solutions [1]

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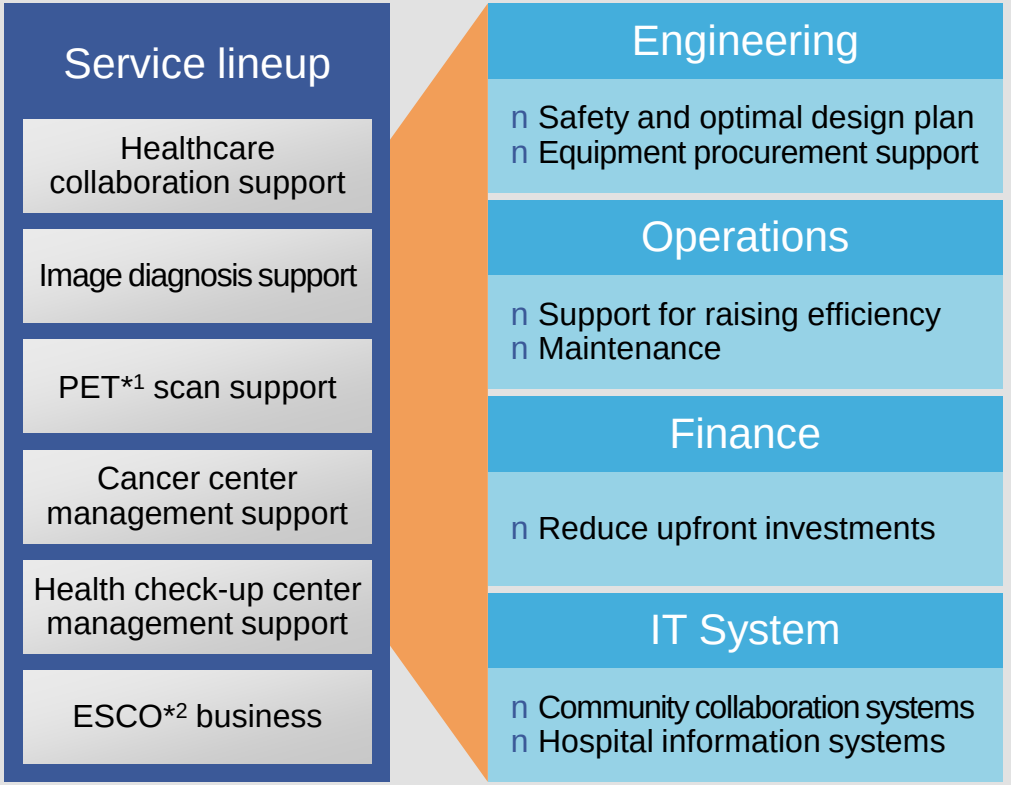
- Provide services that optimize the entire care cycle in community healthcare
- Expand services globally in India, China, Vietnam and other countries based on the track record in Japan

Anticipated benefits

1. Improve the quality of healthcare by strengthening cooperation between community hospitals and clinics
2. Optimize medical costs by raising the efficiency of hospital management
3. Enhance patient satisfaction by providing efficient healthcare services

*1 PET: Positron Emission Tomography
*2 ESCO: Energy Service Company

Hitachi's solutions(support for hospital and community healthcare management)



3-3.(2) Hospital and Community Healthcare Solutions [2] [ESCO]

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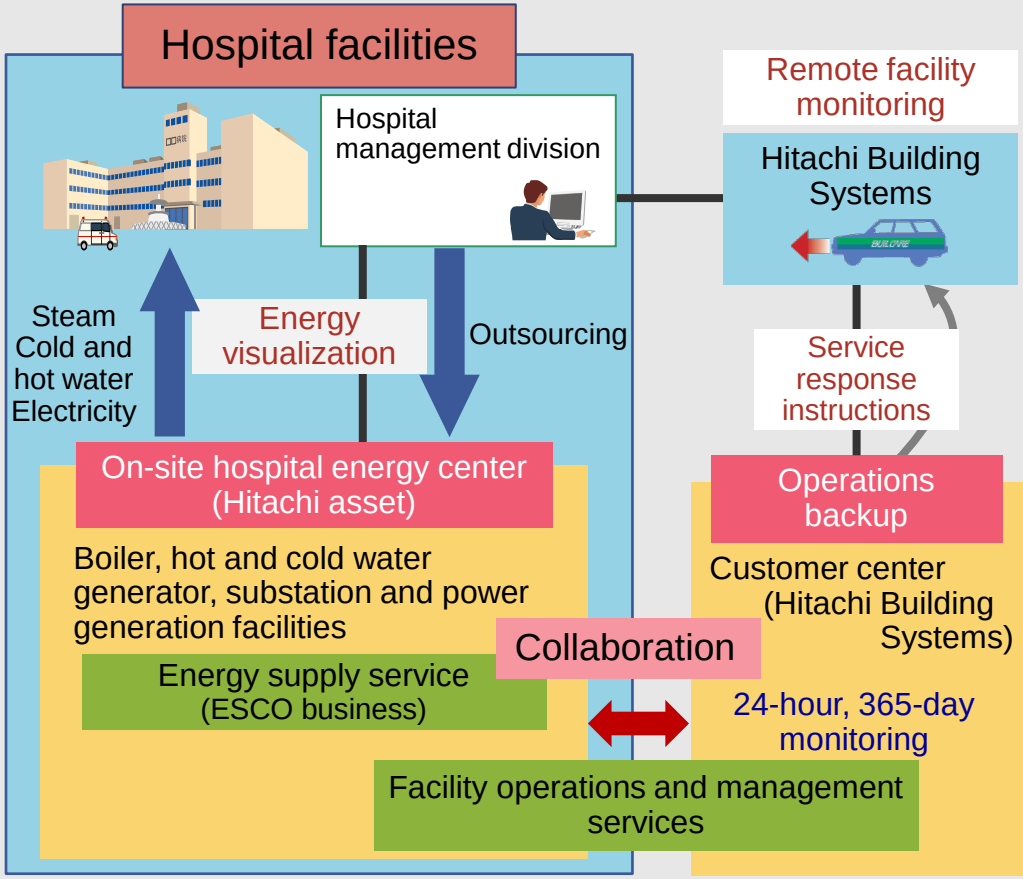
- Total outsourcing of hospital energy supply and facility operations and management
- Hitachi will own the utility facilities and will supply the necessary amount of steam and cold and hot water for air conditioning and power

Packaged energy supply and facility operations and management services

n Issues facing hospitals
- Renovation and rebuilding due to aging facilities
- Surging unit construction labor costs
- Concentration of investment in core medical departments

n Needs of hospital facility management
- Curtail upfront investment costs
- Reduce utility costs
- Normalize maintenance costs

Anticipation for outsourcing of energy supply and facility operations and management



3-3.(3) Therapy Equipment [1]

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Advanced healthcare	Expansion of demand for non-invasive or minimally invasive treatments mainly for seniors and child cancer patients

Specific activities

(1) Particle beam therapy business

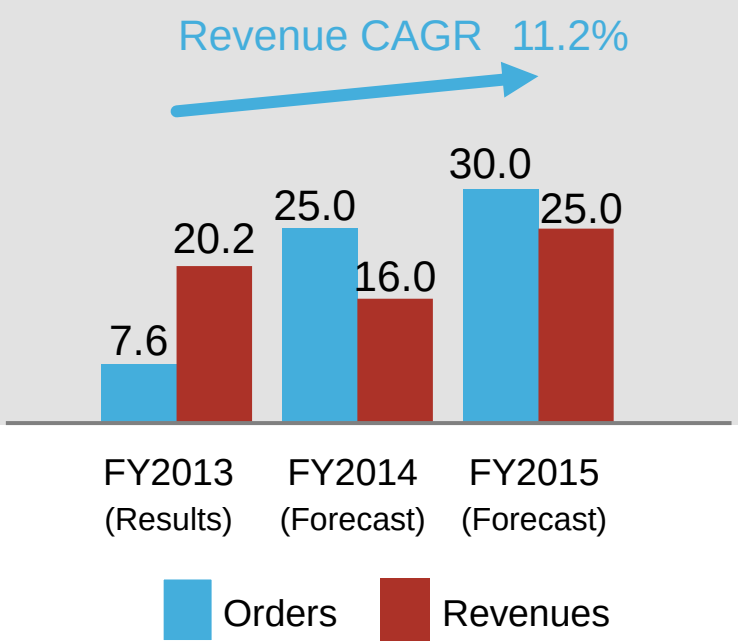
- n High-precision spot scanning technology
- n Smaller size and higher precision treatment systems

(2) X-ray therapy business

- n Strengthen therapy systems and treatment plan software lineup

Orders & Revenue forecast

(billion yen)



3-3.(3) Therapy Equipment [2]

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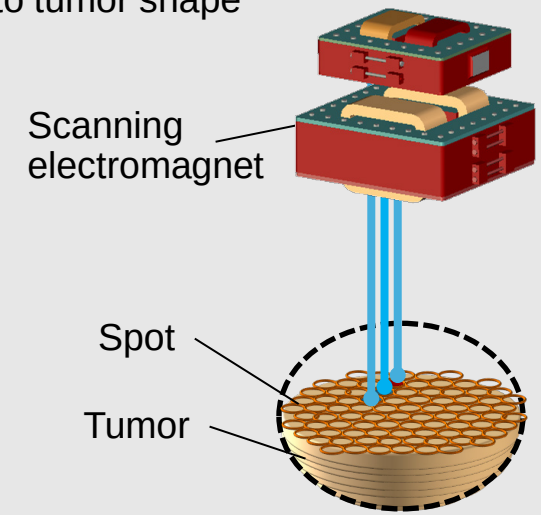
- Offer a range of devices effective for cancer treatment from X-ray therapy equipment to particle (proton and heavy ion) beam therapy systems
- Orders received from 11 organizations around the world (Japan, North America, etc.)

Spot scanning

Restrained radiation dose to areas other than the cancer tumor through pinpoint irradiation according to tumor shape



Positioning irradiation area: proton beam on

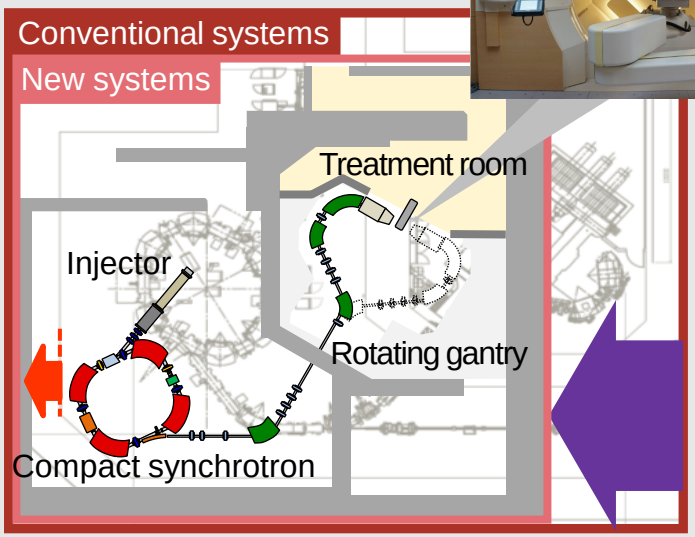
Upon reaching targeted level: proton beam off

Combine with real-time tumor tracking technology*1,2

Precisely target and radiate tumors that move due to breathing, etc., with a proton beam

Reduce the size of therapy systems

Reduced to about 70%*3 compared to conventional systems



Hokkaido University began offering treatment in March 2014

*1 Currently applying for manufacturing and marketing authorization under the Pharmaceutical Affairs Law

*2 This proton beam therapy system was awarded a grant under the Funding Program for World-Leading Innovative R&D on Science and Technology (FIRST Program) and was jointly developed with Hokkaido University

*3 Compared to the installation space for Hitachi's proton beam therapy systems (36m x 30m → reduced size to 29m x 27m)

3-3.(4) Diagnostic Equipment [1]

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Optimize medical costs
Advanced healthcare
Improve hospitals and community healthcare

- Improve healthcare quality while keeping total medical costs low
- Increased demand for developing healthcare infrastructure in emerging countries

Specific activities

(1) Ultrasound Systems

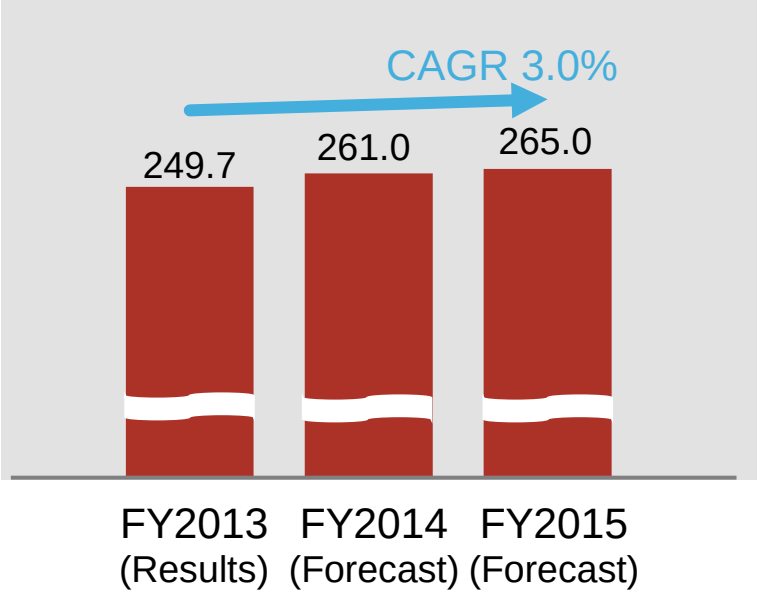
- Expand and enhance equipment for each clinical department and the lineup of ultrasonic probes
- Develop excellent applications for each disease (elastography, RVS*1, etc.)

(2) MRI Units

- A full lineup up to 3 Tesla
- Bolster diagnostic applications for each disease
- Expand applications of open MRI units

Revenue forecast*2

(billion yen)



*1 RVS: Real-time Virtual Sonography
*2 Includes in vitro diagnostic devices such as blood analysis equipment

3-3.(4) Diagnostic Equipment [2]

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- Expand the scope of application of ultrasound systems that hold a No. 1 share in Japan
- Expand the scope of treatment of open MRI systems that hold a No. 1 share worldwide

	Ultrasound Systems	MRI Units(Open type)
Prevention and check-ups	Breast cancer screening (began elastography)	Less burdensome screening environment
diagnosis	Gastrointestinal, heart, neck, obstetrics and gynecology, orthopedics (Probe and application by disease)	Head and neck, orthopedics (receiver coil by body parts /application by disease)
Treatment	Intraoperative ultrasound	MR image-guided treatment
Post-treatment	Point-of-care, at home (Compact ultrasound system)	Less burdensome screening environment

Ultrasonic probe

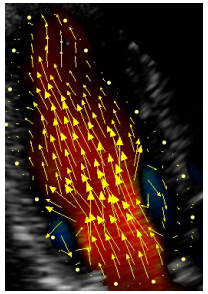
Provide the optimal probe for each disease

Transesophageal probe (cardiovascular disease)

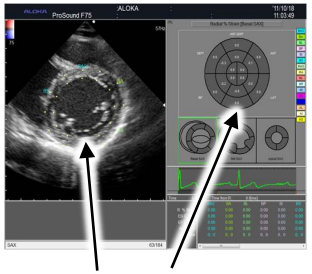
Micro convex probe (liver disease)

Cardiovascular disease: ultrasound application for cardiovascular disease

Evaluation of heart function before and after surgery



Myocardial perfusion analysis



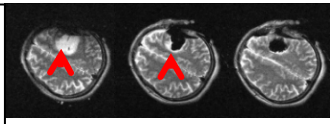
Echocardiographic analysis

Brain tumor: intraoperative MRI system(open)

Surgery performed while confirming brain tumors on MRI images

5-year survival rate
Grade **II** : 89.6%(National average 68.3%)
Grade**III**: 74.5%(National average 26.1%)
Grade**IV**: 18.8%(National average 7.0%)

Tokyo Women's Medical University



Before surgery | During surgery | After surgery

3-4. Hitachi Medical's Business Strategy [1]

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- Medium- and long-term initiatives leveraging Healthcare Group synergies

(1) Become a global player in ultrasound and MRI systems

- Hiring the management staff in North America and Europe since April, 2014
- Step up investment aimed at expanding the scope of application
  - Ultrasound systems: Expand into a broader range of clinical departments introducing an integrated platform by bringing together Hitachi's advanced image-quality technologies and Aloka's expertise in easy operability
    Applicable clinical departments (radiology, cardiovascular, obstetrics and gynecology, and surgery)
  - MRI systems: enhance lineups of open and oval-bore MRI systems and bolster clinical applications
- Advance into the growing health check-up and hospital markets of emerging countries
  - Provide solutions to the clinical market using the profit sharing method*1 (Vietnam and the Philippines)
  - Develop bases in emerging countries by utilizing Hitachi's overseas subsidiaries (India, Indonesia, etc.)

(2) Establish a competitive edge by strengthening the development of core components

- Bolster development through collaboration with Hitachi's laboratories
  (R&D investment: increase by 30% year over year)
  - Differentiate probes: Shift to higher image quality (semiconductor probes), probes by disease (for cardiovascular, endoscopic, and intraoperative use)
  - Superconducting open MRI: Low cost, high-performance open MRI magnets

*1 A scheme in which Hitachi provides a hospital with systems and administration staff, and shares in the profits generated by jointly operating the hospital's diagnostic imaging department

3-4. Hitachi Medical's Business Strategy [2]

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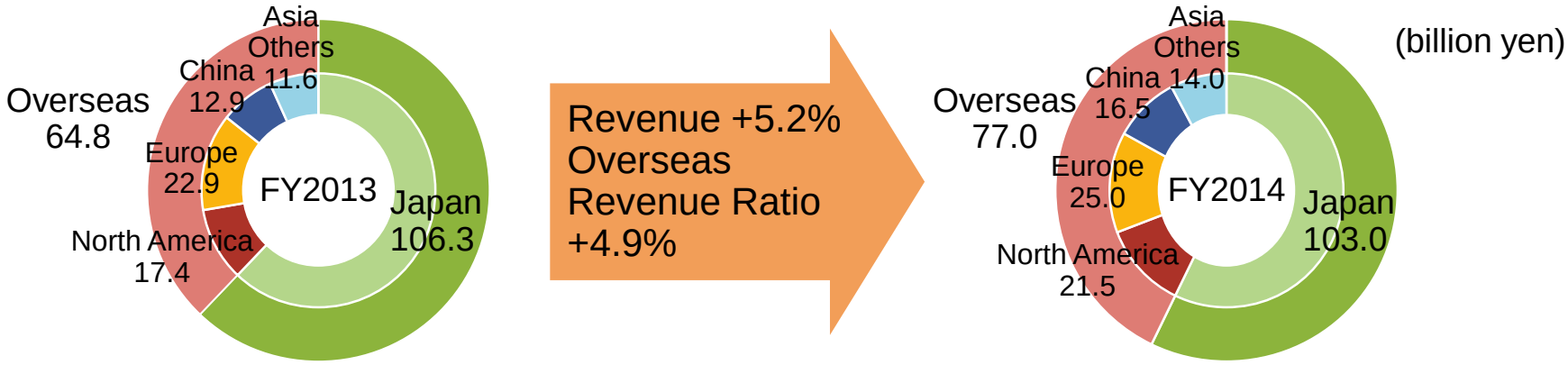
Regional business expansion initiatives in FY2014

Region	Main initiatives
Japan	Expand the ARIETTA ultrasound platform in each clinical department. Increase sales of 1.5 and 3 Tesla large-diameter, oval-shaped bore MRI systems
U.S.	Expand the ARIETTA ultrasound platform in each clinical department (particularly in the cardiovascular field). Increase sales of the open MRI system OASIS
Europe	Expand the ARIETTA ultrasound platform in each clinical department (radiology, cardiovascular, obstetrics and gynecology, and surgery)
China	Expand low-cost ultrasound systems. Increase sales of permanent magnet open MRI systems to private-sector hospitals
Asia	Increase sales of 16-slice CT systems to growing medium-sized hospitals. Boost sales using the profit sharing method.



Revenue	Overseas revenue (ratio)
171.1 billion yen	64.8 billion yen (37.9%)

Revenue	Overseas revenue (ratio)
180.0 billion yen	77.0 billion yen (42.8%)

3-4. Hitachi Medical's Business Strategy [3]

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l Highlights of progress on the Hitachi Smart Transformation Project

Production Costs	n Centralized production of Hitachi Medical and Hitachi Aloka Medical at the Suzhou plant (first half of FY2013) n Introduced new production information systems (FY2014: Mobara, Kashiwa; FY2015: Suzhou)
Direct Material Costs	n Promoted global sourcing through collaboration between Hitachi, Ltd. and Hitachi (China) Ltd. (from FY2012: commenced with 16-slice CT systems)
Indirect Costs	n Closure and consolidation of domestic sales offices (launched in FY2011, with consolidation of 19 bases and closure of 5 bases) n Promoted reforms of indirect operations by introduction of shared services (FY2013: overseas sales companies, FY2014: Hitachi Medical Head Office)

Cumulative benefit (FY2011-FY2015): 10.0 billion yen

3-4. Hitachi Medical's Business Strategy [4]

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[FY2013 Results]

Revenue	Higher revenue on the back of the launch of new ultrasound and MRI systems products and the impact of foreign currency fluctuations
Operating Income	Below target due to surging material costs, despite higher earnings in line with revenue growth

[FY2014 and FY2015 Forecast]

Revenue	Higher revenues based on increased sales of ultrasound and MRI systems, mainly overseas
Operating Income	Operating profit should increase slightly in FY2014, based on higher investment in development, and is expected to more than double as the returns on investments are recovered in FY2015

(billion yen)

	FY2013				FY2014	FY2015
	Forecast*1	Results	Vs. forecast	Year over year	Forecast	Forecast
Revenue	165.0	171.1	104%	107%	180.0	190.0
Operating Income (Japan GAAP)	4.5	4.2	93%	382%	4.5	9.5

*1 Forecasts as of October 30, 2013

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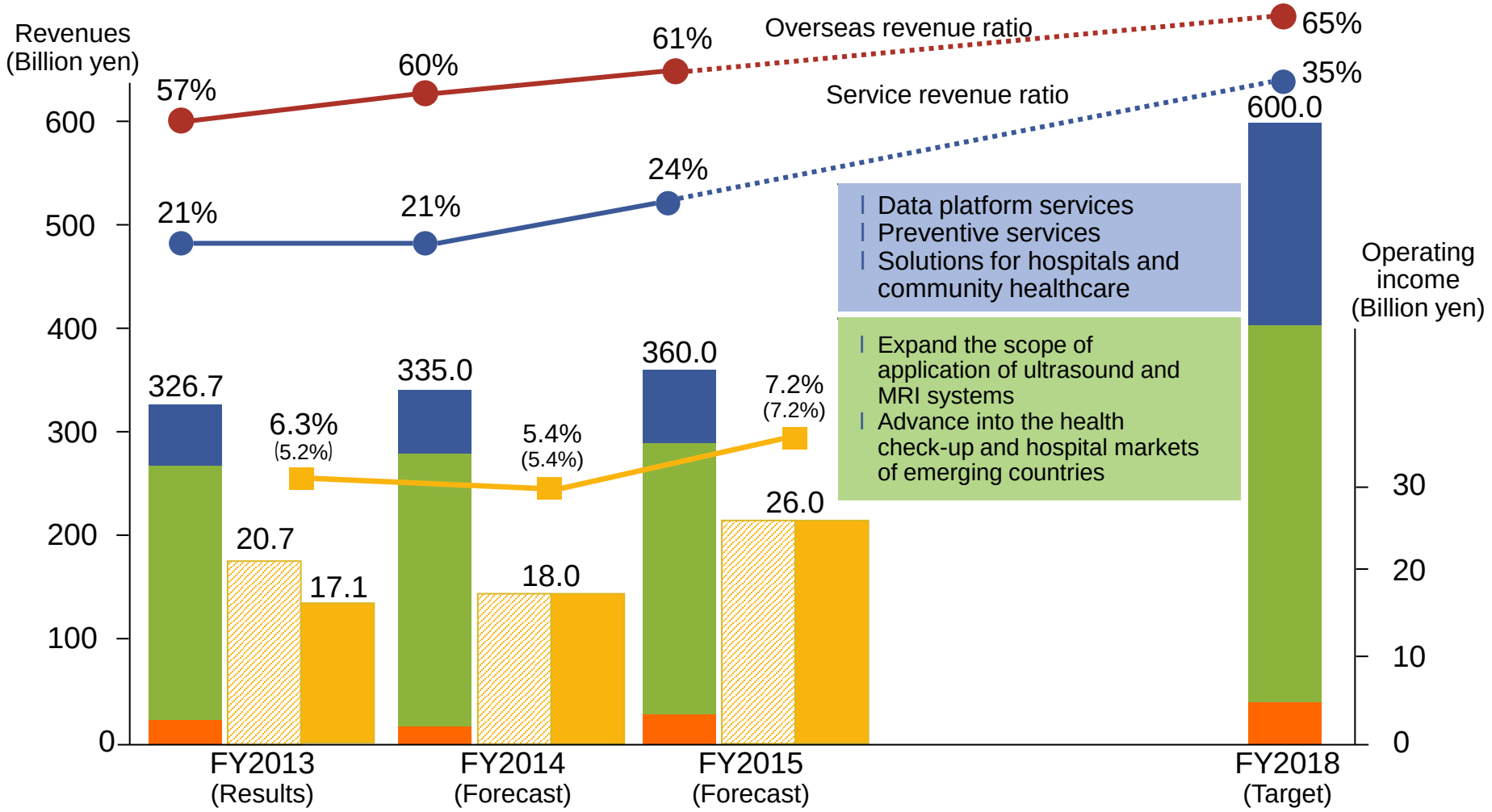
4. Business Performance Trends [Healthcare Related]



*1 EBIT: Earnings before Interest and Taxes

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5. Conclusion [Hitachi's Healthcare Vision]

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5. Conclusion

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FY2015 Targets

- Revenues: 360.0 billion yen
  - Overseas revenue ratio: 61%
  - Service revenue ratio: 24%
- Operating income (EBIT) ratio: 7.2%

Satisfying the diversified healthcare needs at all stages of the entire care cycle through IT and medical technologies

Cautionary Statement

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Certain statements found in this document may constitute “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995. Such “forward-looking statements” reflect management’s current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Words such as “anticipate,” “believe,” “expect,” “estimate,” “forecast,” “intend,” “plan,” “project” and similar expressions which indicate future events and trends may identify “forward-looking statements.” Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the “forward-looking statements” and from historical trends. Certain “forward-looking statements” are based upon current assumptions of future events which may not prove to be accurate. Undue reliance should not be placed on “forward-looking statements,” as such statements speak only as of the date of this document.

Factors that could cause actual results to differ materially from those projected or implied in any “forward-looking statement” and from historical trends include, but are not limited to:

- economic conditions, including consumer spending and plant and equipment investment in Hitachi’s major markets, particularly Japan, Asia, the United States and Europe, as well as levels of demand in the major industrial sectors Hitachi serves, including, without limitation, the information, electronics, automotive, construction and financial sectors;
- exchange rate fluctuations of the yen against other currencies in which Hitachi makes significant sales or in which Hitachi’s assets and liabilities are denominated, particularly against the U.S. dollar and the euro;
- uncertainty as to Hitachi’s ability to access, or access on favorable terms, liquidity or long-term financing;
- uncertainty as to general market price levels for equity securities, declines in which may require Hitachi to write down equity securities that it holds;
- uncertainty as to Hitachi’s ability to continue to develop and market products that incorporate new technologies on a timely and cost-effective basis and to achieve market acceptance for such products;
- rapid technological innovation;
- the possibility of cost fluctuations during the lifetime of, or cancellation of, long-term contracts for which Hitachi uses the percentage-of-completion method to recognize revenue from sales;
- fluctuations in the price of raw materials including, without limitation, petroleum and other materials, such as copper, steel, aluminum, synthetic resins, rare metals and rare-earth minerals, or shortages of materials, parts and components;
- fluctuations in product demand and industry capacity;
- uncertainty as to Hitachi’s ability to implement measures to reduce the potential negative impact of fluctuations in product demand, exchange rates and/or price of raw materials or shortages of materials, parts and components;
- increased commoditization of information technology products and digital media-related products and intensifying price competition for such 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 restructuring efforts to improve management efficiency by divesting or otherwise exiting underperforming businesses and to strengthen competitiveness;
- uncertainty as to the success of cost reduction measures;
- general socioeconomic and political conditions and the regulatory and trade environment of countries where Hitachi conducts business, particularly Japan, Asia, the United States and Europe, including, without limitation, direct or indirect restrictions by other nations on imports and differences in commercial and business customs including, without limitation, contract terms and conditions and labor relations;
- uncertainty as to the success of alliances upon which Hitachi depends, some of which Hitachi may not control, with other corporations in the design and development of certain key products;
- uncertainty as to Hitachi’s access to, or ability to protect, certain intellectual property rights, particularly those related to electronics and data processing technologies;
- uncertainty as to the outcome of litigation, regulatory investigations and other legal proceedings of which the Company, its subsidiaries or its equity method affiliates have become or may become parties;
- the possibility of incurring expenses resulting from any defects in products or services of Hitachi;
- the potential for significant losses on Hitachi’s investments in equity method affiliates;
- the possibility of disruption of Hitachi’s operations by earthquakes, tsunamis or other natural disasters;
- uncertainty as to Hitachi’s ability to maintain the integrity of its information systems, as well as Hitachi’s ability to protect its confidential information or that of its customers;
- uncertainty as to the accuracy of key assumptions Hitachi uses to evaluate its significant employee benefit-related costs; and
- uncertainty as to Hitachi’s ability to attract and retain skilled personnel.

The factors listed above are not all-inclusive and are in addition to other factors contained in other materials published by Hitachi.


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