Revisions of Consolidated Financial Forecast for Fiscal 2019, the Year Ending March 31, 2020

February 28, 2020

Hitachi, Ltd.

1. Outlook for FY2019

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- Projections for the Q4 (Jan.-Mar.) FY2019 assume an exchange rate of 105 yen to the U.S. dollar and 115 yen to the euro

Billions of yen

	FY2018	FY2019				
		Previous forecast*7	Sales of Hitachi Chemical	Tax effect	Previous forecast comparison	Forecast
Revenues	9,480.6	8,700.0	0.0	0.0	±0.0 [100%]	8,700.0
Adjusted operating income ratio	*8.0%*	*7.7%*			*±0.0%*	*7.7%*
Adjusted operating income*1	754.9	669.0	0.0	0.0	±0.0	669.0
EBIT ratio	*5.4%*	*5.6%*			*(3.2%)*	*2.4%*
EBIT*2	513.9	485.0	(279.0)	0.0	(279.0)	206.0
Income from continuing operations, before income taxes	516.5	480.0	(279.0)	0.0	(279.0)	201.0
Income taxes	(186.3)	(264.0)	120.0	89.0	209.0	(55.0)
Income from continuing operations	330.1	216.0	(159.0)	89.0	(70.0)	146.0
Loss from discontinued operations*3	(9.1)	(2.0)	0.0	0.0	±0.0	(2.0)
Net income	321.0	214.0	(159.0)	89.0	(70.0)	144.0
Net income attributable to Hitachi, Ltd. Stockholders	222.5	170.0	(159.0)	89.0	(70.0)	100.0
Earnings per share*4,5	230.47 yen	176.04 yen	-	-	(72.49 yen)	103.55 yen
ROIC*6	8.5%	6.1%	-	-	+3.0%	9.1%

2. Notes

*1 “Adjusted operating income” is presented as revenues less selling, general and administrative expenses as well as cost of sales.
*2 “EBIT” is presented as income from continuing operations, before income taxes less interest income plus interest charges.
*3 A part of the thermal power generation systems business is classified as discontinued operations 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. as part of the business integration in the thermal power generation systems with Mitsubishi Heavy Industries, Ltd. The results of the discontinued operations are reported separately from continuing operations.
*4 On October 1, 2018, Hitachi completed the share consolidation of every five shares into one share for its common stock. Earnings per share are calculated on the assumption that the company conducted consolidation at the beginning of FY2018.
*5 Forecast of FY2019 is affected by restricted stocks issued on May 31, 2019, etc.
*6 ROIC(Return on Invested Capital) = (NOPAT + Share of profits(losses) of investments accounted for using the equity method) / “Invested Capital” x 100
NOPAT(Net Operating Profit after Tax) = Adjusted Operating Income x (1 – Tax burden rate)
Invested Capital = Interest-bearing debt + Total equity
*7 Announced on January 31, 2020

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

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